Quarterly Journal

Office of the Comptroller of the Currency

Robert L. Clarke

Comptroller of the Currency

The Administrator of National Banks

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Operations of National Banks

The gross national product's growth of 2.9 percent during the first quarter of 1986 followed a meager 0.7 percent growth rate in last year's fourth quarter. The improvement was due primarily to increases in consumer spending and business inventory investment. A factor restricting growth during the first three months of the year was that imports increased in spite of the receding international value of the U.S. dollar.

During the quarter, interest rates continued their generally downward trend. In an attempt to inject renewed life into the current economic recovery, the Federal Reserve Board lowered the discount rate for the first time in ten months to 7.00 percent. In response, the large money center banks reduced the prime rate they charge on loans to 9.00 percent in March from 9.50 percent where it had held since June 1985.

On March 31, 1986 there were 4,934 active national banks. Twelve were multinational banks — the largest national banks with significant foreign, as well as domestic, operations. Another 189 were regional national banks with total assets in excess of $1 billion. The remaining 4,733 national banks were community banks, banks with total assets of less than $1 billion.

Net income in national banks for the first three months of 1986 was $2.5 billion. This reflected a decline of 3.7 percent from 1985's first quarter performance. Although both net interest income and earnings from noninterest sources were up appreciably, a 65 percent jump in loan loss provision expense resulted in a decline in overall net earnings.

Net interest earnings rose 11.5 percent from one year before. National banks continued to widen the spread between the interest rate they earned on assets such as loans and investment securities and the interest rate they paid for funds such as deposits.

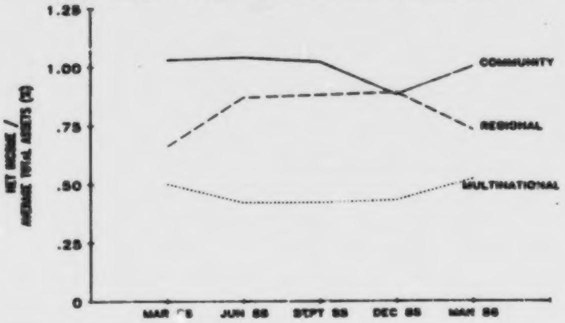
The ratio of net interest earnings to average earning assets for multinational banks increased to 3.59 percent, 8 basis points higher than the figure posted for the first quarter of 1985. Regional banks expanded their net interest margin a hefty 16 basis points to 4.91 percent. The spread in community banks remained relatively unchanged from one year before, declining 1 basis point to 5.16 percent.

Revenue from noninterest sources also grew in the first three months of 1986, particularly in the large national banks. Profits from the sale of investment securities contributed markedly to total income for the quarter. As interest rates fell, the value of investment securities held by national banks skyrocketed. Most national banks took advantage of this by selling portions of their securities portfolios for substantial gains. In the multinational banks, income from securities gains surged 342 percent from that posted in the first quarter of 1985. In regional banks, the growth was 681 percent. Profits taken as a result of securities gains jumped 420 percent from March 1985 to March 1986 in the community banks.

In addition to securities gains, another important source of noninterest income during the quarter was earnings from fees and service charges. Revenue from this source expanded 17.7 percent in the first three months of 1986 compared to the prior year, while overhead expenses such as salaries and occupancy costs grew by a smaller amount, 12.1 percent. The most substantial income growth occurred in trading commissions and fees for the multinational and regional banks, although community banks also benefited from this revenue source.

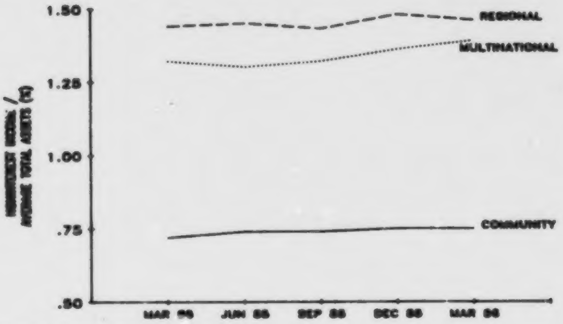
A continued growth in problem loans during the first quarter caused loan loss provision expense to soar in certain national banks. The problem of worsening loan quality was most acute in the regional and community national banks. Regional banks, particularly those located in the Southwest, were adversely affected by the problems facing borrowers whose sources of loan repayment were linked to the flagging health of commercial real estate construction and energy industries. For this bank group, first quarter 1986 provision expense increased 117 percent over the same period last year. A large number of community banks located in the farm belt have been severely affected by the difficulties facing agricultural borrowers. Small national banks experienced a 45 percent period-to-period increase in provision expense. Because the economic troubles confronting Third World borrowers seemed to be easing, provision expense in multinational banks was increased 26 percent.

The return on average assets (ROA) for the first quarter of 1986, when compared to the identical period of 1985, increased in the larger national banks and decreased in the community banks. For multinational banks the ratio of net income to average assets rose 2 basis points to 0.52 percent. In regional banks, the growth was 7 basis points to 0.73 percent. Although community banks remained relatively more profitable in terms of ROA than the bigger banks, small banks continued to witness an erosion in this important measure of earnings performance — 3 basis points to 1.00 percent.



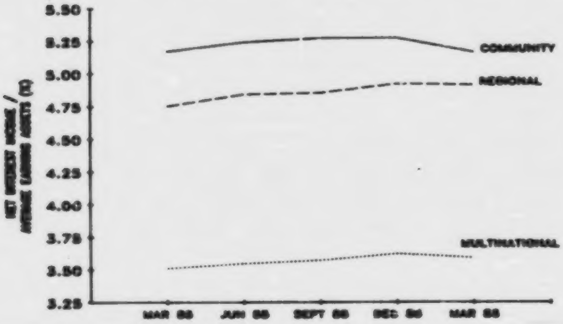
RETURN ON AVERAGE ASSETS IS UP
FOR THE FIRST QUARTER OF 1986 IN THE
MULTINATIONAL AND REGIONAL NATIONAL BANKS
WHEN COMPARED TO THE FIRST QUARTER OF 1985...

SOURCE: SUPERVISORY INFORMATION DIVISION



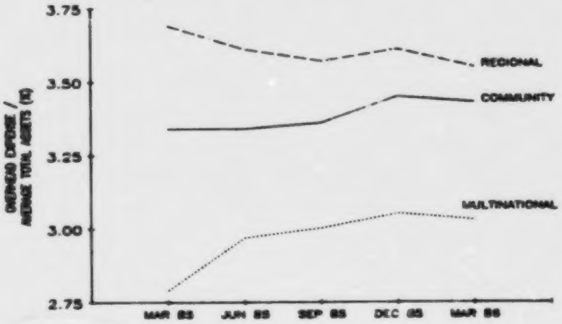
FEE INCOME ROSE DRAMATICALLY
IN THE MULTINATIONAL NATIONAL BANKS
FROM MARCH 1985 TO MARCH 1986...

SOURCE: SUPERVISORY INFORMATION DIVISION



NET INTEREST MARGINS IN THE
COMMUNITY NATIONAL BANKS CONTINUED
TO EXCEED THOSE OF THE LARGER NATIONAL BANKS...

SOURCE: SUPERVISORY INFORMATION DIVISION



OVERHEAD EXPENSES INCREASED IN THE
MULTINATIONAL AND COMMUNITY NATIONAL BANKS
DURING THE PAST YEAR...

SOURCE: SUPERVISORY INFORMATION DIVISION

Consolidated total assets of national banks equalled $1.626 trillion on March 31, 1986. This reflected a 0.5 percent decline from December 31, 1985.

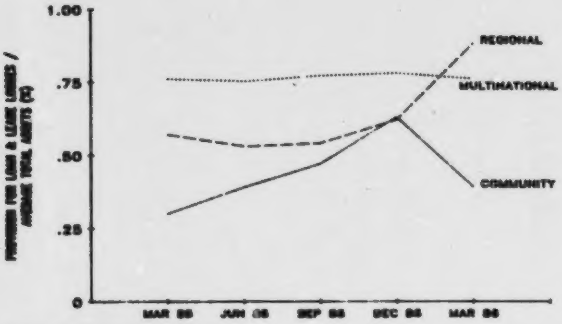
Gross loans and leases increased only 0.8 percent during the quarter and on March 31 equalled 62.6 percent of national bank total assets. The volume of loans in the multinational banks remained relatively unchanged from the prior quarter. Three-month loan growth in the regional banks was 1.6 percent, and in the community banks 0.3 percent. In the multinational and community national bank groups, increases in loans secured by real estate were offset by declines in loans to individuals and to businesses. The bulk of the loan growth in regional banks occurred in loans secured by real estate.

The dollar volume of investment securities owned by national banks declined by 1.4 percent from December to March, and equalled 13.9 percent of national bank total assets on March 31. Ownership of state, county and municipal securities (SCMs) declined 8.1 percent and accounted for 35.2 percent of the total portfolio at the end of the quarter. National bank ownership of U.S. government issues increased 1.5 percent in the period.

Deposit growth was flat in national banks in the first quarter of 1986. On March 31, total consolidated deposits equalled $1.242 trillion, reflecting a miniscule increase of 0.04 percent during the three-month period.

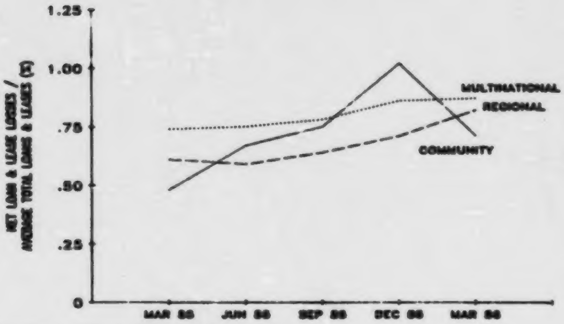
The volume of nonperforming loans and leases in national banks increased 5.4 percent between December 31 and March 31. Community national banks experienced the most acute growth in troubled credits. Loans and leases which were 90 days or more past due, renegotiated or in nonaccrual status in the small banks increased 8.6 percent during the quarter. For multinational banks the growth was 5.3 percent, and in the regionals 3.4 percent.

PROVISION EXPENSE HAS INCREASED
MOST SIGNIFICANTLY IN THE REGIONAL NATIONAL BANKS...



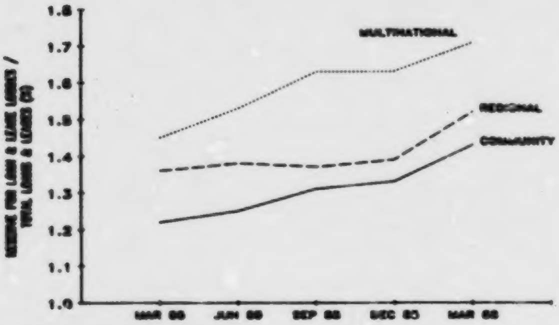
SOURCE: SUPERVISORY INFORMATION DIVISION

NET LOAN & LEASE LOSSES ROSE MOST
IN THE REGIONAL NATIONAL BANKS
SINCE ONE YEAR AGO...



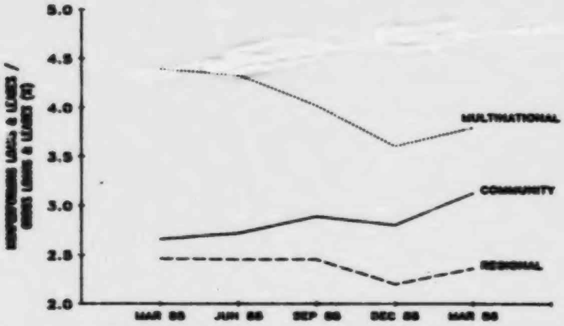
SOURCE: SUPERVISORY INFORMATION DIVISION

RESERVES FOR LOAN LOSSES
HAVE INCREASED
FOR ALL THREE NATIONAL BANK GROUPS...



SOURCE: SUPERVISORY INFORMATION DIVISION

NONPERFORMING LOANS & LEASES
INCREASED IN THE FIRST QUARTER OF 1986
FOR ALL THREE NATIONAL BANK GROUPS...



SOURCE: SUPERVISORY INFORMATION DIVISION

Loans and leases on which interest was no longer being accrued accounted for the majority of the growth in problem credits for all three bank groups.

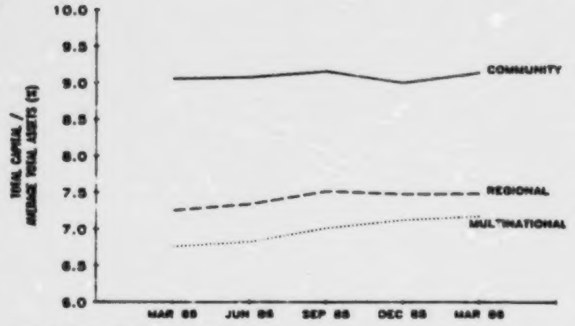
In the first quarter, national banks continued to supplement their reserves for loan and lease losses by amounts sufficient not only to cover current-period net loan losses, but increase the reserve cushion as well. For the three-month period, national banks added $1.61 to reserves for every $1 in loans written off.

On March 31, 1986, total capital in the national bank system was $122.4 billion, reflecting a three-month increase of 2.8 percent. Growth in the common equity capital accounts represented the majority of the increase in all three national bank groups. The remainder of the capital growth during the quarter was due to increases in loan loss reserves and, in the larger banks, a rise in subordinated debt.

Compared to the first quarter of 1985, regional and community banks increased the dollar amount of cash dividends paid during the first quarter of 1986. This occurred in spite of a decline in total net income for both these national bank groups. The result was an increase in the ratio of cash dividends paid to net income. For regional banks, the first quarter's dividend payout ratio increased 772 basis points to 49.70 percent. The increase for community banks was 347 basis points to 48.84 percent. The first quarter dividend payout ratio for multinational banks declined, plunging from 45.37 percent in 1985 to 26.21 percent in 1986. While first-quarter 1986 income declined 3 percent from that posted for the identical period one year ago, the period-to-period dollar amount of dividends paid by these largest national banks plummeted 40 percent.

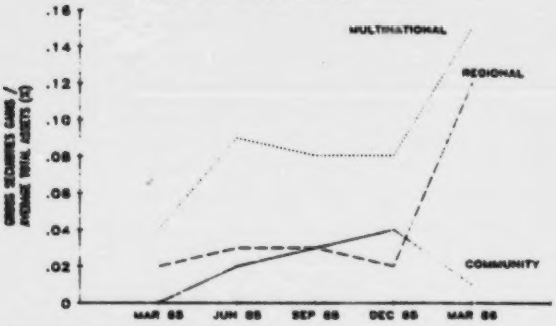
On March 31, 1986 there were 1,062 national banks receiving special supervision due to financial, operating

TOTAL CAPITAL HAS INCREASED IN ALL THREE NATIONAL BANK GROUPS...



SOURCE: SUPERVISORY INFORMATION DIVISION

GAINS FROM THE SALE OF SECURITIES IN THE FIRST QUARTER OF 1986 WERE AN IMPORTANT SOURCE OF INCOME IN THE LARGE NATIONAL BANKS...



SOURCE: SUPERVISORY INFORMATION DIVISION

or compliance weaknesses. This was a 6 percent increase from December 31, 1985 and a 30 percent increase from March 31, 1985.

At the close of 1986's first quarter, the condition of the national bank system remained sound. Capital levels and reserve ratios increased in the majority of national banks. Banks that did report weakened first quarter results tended to be those with exposure to the more vulnerable segments of the economy such as agriculture, energy and commercial real estate construction.

The bigger national banks found it easier to supplement profits resulting from traditional banking functions with revenues from trading activities, foreign exchange dealing and securities sales. Because of marketplace constraints and, in many cases, the lack of sufficient expertise and technology, community banks found it difficult to emulate their larger counterparts in this regard. A major issue confronting the banking community will be how to enhance revenues arising from traditional business operations with income from other activities so as to maintain overall bank profitability in today's economic climate.

Woodrow W. Reagan
National Bank Examiner
Supervisory Information Division

Litigation Update

This past May, two federal district court decisions upholding the validity of OCC approvals of IRA (individual retirement account) collective investment trusts established by national banks were affirmed at the federal appellate level. In addition, a contrary decision by a third federal district court was reversed in June. On May 2, 1986, the United States Court of Appeals for the Second Circuit affirmed the decision of the United States District Court for the District of Connecticut. Subsequently, on May 20, 1986, the United States Court of Appeals for the District of Columbia Circuit affirmed the decision of the United States District Court for the District of Columbia. The decision of both district courts was that the establishment and operation of IRA collective investment trusts is a proper banking activity not forbidden by the Glass-Steagall Act. On June 30, 1986, a contrary decision rendered by the United States District Court for the Northern District of California was reversed by the United States Court of Appeals for the Ninth Circuit. A fourth case on the same issue was won before the United States District Court for the Western District of North Carolina and has been appealed.

As was reported in a previous issue (*Quarterly Journal*, Vol. 5, No. 1), a panel of the United States Court of Appeals for the Seventh Circuit held that the Comptroller had the authority under 12 U.S.C. § 1818(b) to order bank directors who violate statutory loan limits to reimburse banks for losses arising from the illegal loans. *Larimore, et al.* v. *Conover*, 775 F. 2d 890 (7th Cir. 1985). Judge Coffey wrote a dissenting opinion. After a rehearing *en banc*, the court reversed itself, holding that Section 1818(b) does not authorize the Comptroller to impose personal liability upon bank directors. ____ F.2d ____ (7th Cir. 1986). The court reached this conclusion, in part, because Congress authorized the Comptroller in 12 U.S.C. § 93(a) to secure reimbursement for losses resulting from knowing violations via suits filed in the United States district courts. Allowing the Comptroller to obtain reimbursement in administrative cases under Section 1818(b), reasoned the court, would deny directors the due process rights afforded in judicial proceedings under Section 93(a) and would effectively nullify that Section.

The *Larimore* decision conflicts with the ruling of the United States Court of Appeals for the Ninth Circuit in *del Junco* v. *Conover*, 682 F.2d 1338 (9th Cir. 1982), *cert. denied*, 459 U.S. 1146 (1983), which upheld a Section 1818(b) order requiring directors to reimburse a bank for losses resulting from knowing violations of loan limits. The *del Junco* decision, however, unlike the *Larimore* decision, did not squarely address the issue of whether Section 1818(b) authorizes such orders. In addition, the Office is considering seeking legislative amendments to Section 1818(b) that would, *inter alia*, expressly authorize the remedy involved in *Larimore*.

On June 27, 1986, the United States District Court for the Eastern District of Pennsylvania denied the motion for preliminary injunction of the Pennsylvania Department of Banking, which is challenging a decision of the Comptroller allowing the relocation across state lines of the main office of a national bank. The bank is a subsidiary of Horizon Bancorp, a New Jersey bank holding company. Pursuant to 12 U.S.C. § 30(b), the Comptroller approved the bank's relocation of its main office from Moorestown, New Jersey to Philadelphia, Pennsylvania, a distance of approximately 11½ miles. The court denied plaintiff's motion, in part, because it found the likelihood of plaintiff prevailing on the merits to be "too slim to justify protecting Pennsylvania banks from competition at the expense of prohibiting the New Jersey bank from conducting its business in Philadelphia." The court also rejected plaintiff's contention that the relocation across state lines violated the Douglas Amendment to the Bank Holding Company Act, 12 U.S.C. § 1842(d), because it found that plaintiff had not shown the relocation to consitute an "acquisition." The court will review cross motions for summary judgment in the fall.

Eugene M. Katz
Director
Litigation Division

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Remarks by Robert L. Clarke, Comptroller of the Currency before the Practicing Law Institute, Fourth Annual Financial Services Institute, New York, New York, April 17, 1986

My fellow lawyers. I take great pride in our profession. Lawyers can be problem solvers. We can be planners. We can be leaders. We belong to a visible profession. We belong to a powerful profession. And lawyers in the past have long recognized these facts. Abraham Lincoln was no mean example of legal excellence. He once said that: "As a peacemaker the lawyer has a superior opportunity to be a good man." A distinguished jurist, Justice William Brennan, wrote: "More than ever before the lawyer is now the policy maker." And two thousand years ago Cicero pointed out: "The house of a great lawyer is assuredly the oracular seat of the whole community."

By being problem solvers, policy makers and leaders, we can win great repute for ourselves and our profession. We can, however, also fall into disrepute. We can and we will fall into disrepute if we as individuals ignore our professional responsibility to view the law as the means of achieving what is best for the public interest. We can and will fall into disrepute if we as individuals come to view the law cynically as mere rules to manipulate for the sake of our own and our client's interests.

As a profession, the law has fallen from grace at times. In the fourteenth century, the King of England banned lawyers from Parliament. And in 1523, the explorer Balboa proposed to King Ferdinand that no lawyers be allowed in America. About a century ago one of America's more caustic critics, Ambrose Bierce, developed a new definition of the lawyer. The lawyer, he wrote, is "one skilled in circumvention of the law."

Today, I believe, the reputation of the legal fraternity is poised somewhere at midpoint between the extremes of the slime and the sublime.

The man in the street has regard for lawyers, our worth and our merit. The members of the public know that we will be there even in the hottest fights. And we'll be there on both sides. Perhaps that is why we are held in regard. And perhaps that is why we are not always held in the highest regard.

I'm here today to talk about the public interest. That's part of my job as a public official. When I was in law school one of our professors often reminded us that if you cut through all the complexities of the legal system, you would find that the fundamental social purpose of the law was to keep one person from taking a club to another person's head. Another way of saying that is that society charged the legal profession with the duty of ensuring that the hand that cradles the rock does not rule the world.

That was the original public interest. By extension everything else in the legal world evolved from that fundamental social purpose. The public interest itself evolved. As society became more complex, so too did the law.

Having been for many years a practicing attorney myself, I know from personal experience how easy it is for the complexities to transfix the lawyer's attention.

However, if the law is to be a profession held in high regard by the public, rather than a trade held in clear regard, the practicing attorney must look beyond the complexities of the case at hand to an awareness of the underlying issue of the public interest.

The purpose of an institute such as this one is to sharpen your awareness of the legal and business complexities arising from the continuing evolution of the financial services industry.

As the Federal administrator of national banks I would like to take this opportunity before you begin to focus on those complexities to share with you my perception of the public interest at this point in that continuing evolution.

For the last 120 years or so the Office of the Comptroller of the Currency has operated under the assumption that maintaining the vitality of the national banking system is its ultimate charge as a regulatory agency.

During all this time, we have recognized that ensuring the safety and soundness of the system entails far more than reviewing the books of the institutions we supervise. For a bank to be safe, it must be strong. Increasingly, a bank's strength is a reflection of its environment. Obviously, that environment consists in large part of the types of business loans the bank chooses to make. As we are seeing with the current plight of agricultural banks and banks with high concentrations of energy loans, specialization in lending threatens to bind the fortunes of the lender far too tightly to the misfortunes of the customer. To focus on these current problems in the banking environment, however, would be a mistake.

Beyond loan exposure to weakened economic sectors the commercial banking system faces a more serious and fundamental problem: the mediocre performance of commercial banks in general. The earnings and profitability of national banks are important determinants of their ability to weather economic volatility and to generate new loans. A bank requires strong, steady earnings to build the reserves needed to absorb losses that occur in the normal course of the business cycle. Furthermore, an attractive rate of profitability provides potential investors with a reasonable dividend yield and the prospect of capital appreciation. Profitability thereby enhances the ability of a bank to raise external capital. Unfortunately, the commercial banking system is becoming less profitable — both absolutely and relative to the risks banks assume.

This trend of lower profitability is evident at banks of all sizes. Although the majority of the banking industry continues to generate adequate earnings, there is a growing minority of commercial banks with earnings that can only be characterized as poor. Declining profits at a large number of banks is an area of growing weakness. And these trends in bank earnings underline the difficulties all banks face in today's financial services marketplace.

A major problem commercial banks confront is a deterioration in the quality of their borrowers and in their lending opportunities. As you know, the flight of the high-quality multinational corporations from the banking system to the commercial paper market is often cited as evidence of this development. But like a "bad news, worse news," joke, we are beginning to see the same phenomenon occurring at the retail level — only no one in bank supervision is laughing. Nonbank competitors — many of whom are represented here today — are offering products such as individual retirement accounts, credit cards, car loans, and home mortgages. They provide multipurpose investment and transaction accounts with features and interest rates that are enabling them to capture banking's most profitable and least risky customers. As a consequence, the traditional lending activities of banks are becoming less profitable.

For the bank supervisor, this is a great concern.

A few bank performance statistics illustrate profitability trends. The average return on assets for the 4,200 national banks with assets of less than $300 million declined in 1985 for the sixth consecutive year. These are community banks with national charters. In 1980, the average ROA for these banks was 1.13. In 1985, it was 0.53. Even the median ROA fell for this group, demonstrating the scope of the earnings pressure. More than one quarter of national banks with assets of less than $25 million lost money in 1985.

Furthermore, in recent years the percentage of banks with high earnings — a return on assets in excess of 1.5 percent — has fallen. In 1980, 21.6 percent of all national banks had an ROA of more than 1.5 percent. In 1985, only 13.4 percent of all national banks had high earnings. In 1980, 3 percent of all national banks experienced losses. In 1985, 16.2 percent of all national banks did. Only one-third of the national banks that reported losses in 1985 were agricultural or energy banks.

For national banks of all sizes and types, loan loss provisions as a percentage of assets are now two and one-half times what they were in 1980. And the percentage growth during these years is greater for institutions with assets of $300 million or less than for their larger counterparts.

As these figures show, deteriorating asset quality is a key factor in the decline in earnings across the board. As we all know, the bottom line of the balance sheet has become a metaphor for a conclusion stripped of its supporting arguments, its rationalization, and its qualifications. These profitability figures for the national banking system lead me as a public official with the duty of protecting the public interest to several bottom line conclusions. Banks must be granted greater flexibility to diversify their sources of income and to restructure their products and services efficiently and in line with changing consumer demands. Without greater flexibility, there exists the potential for a gradual erosion in the safety and soundness of the banking system which is the public interest issue in the field of financial service industry law. Without greater flexibility, banks will have little choice but to engage in greater risk-taking within the markets available to them. Without greater flexibility, the likely result will be continued credit problems, pressure on earnings, and, over time, a continued reduction in the ability of the banking system to compete and deliver the products that consumers demand. The long-run stability of our banking system hinges on banks having the flexibility to adapt to changes in their marketpace environment.

Furthermore, the long-run stability of our financial services industry hinges on the banking system being granted that flexibility. Without a safe, sound and strong banking system, multifunctional financial service providers will have no foundation on which to build their businesses. Without a safe, sound and strong banking system, marketing other financial services would be like selling answering machines and two-way desktop speakers in a country where the telephones don't work most of the time. It would be like selling sports cars in a country where most roads are unpaved or marketing refrigerators in a land where the electricity works only a few hours each day.

There is a strange aspect to the public interest. Sooner or later matters of public concern affect all of us. Without a safe, sound and strong banking system, how long could securities firms, insurance companies and retailers market their products to the public? Without a safe, sound, and strong banking system, how long would the public have confidence in the financial products these companies provide?

The legal framework for banking was never intended to provide nonbank competitors with advantages in the marketplace. Rather, the legal framework for banking was intended to protect the public interest in a safe, sound and strong banking system. Today, because the demographic profile and the technological resources of our society have changed, the means for ensuring a safe, sound and strong banking system have changed. The law has yet to catch up to the reality. The public interest, however, has not changed.

By force, the banking system can be restricted for some time to come to the narrow confines of what federal law presently allows it to do. Yes, to those who know how to wield it, the law can be used as a club. To use it to that end, however, would serve no one's interest. Ultimately, everyone would suffer the consequences: the banks, the public, and the nonbank competitor.

As you focus on the complexities of the legal framework for financial services over the next two days, I urge you to keep in mind the issue of the public interest as I, a public official, perceive it. As a former attorney myself, I am quite aware that in representing your clients you must, of course, be advocates. As participants in an adversarial contest, you have your roles to play. Rather than addressing you in your role as attorneys, I'm appealing to you as members of the visible and powerful legal profession, and as problem solvers, public policy makers and leaders, if you so choose to be.

It has often been said that lawyers claim they never make mistakes. Paralegals make mistakes. Jurors make mistakes. Judges make mistakes. Clients make mistakes. The government makes mistakes.

Have you ever heard of one of our colleagues admitting that he or she made a mistake?

So I follow in a long legal tradition when I say I know it was no mistake for me to come here this morning to appeal to the distinguishing quality of the members of the legal community: your infallible ability to make the right judgment once the facts are known.

Statement of Robert B. Serino, Deputy Chief Counsel, before the House Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, Washington, D.C., April 17, 1986

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to bring you up to date on the Office of the Comptroller of the Currency's (OCC) activities in the Bank Secrecy Act (BSA) area and to express our views on the legislative changes needed to facilitate our efforts to assist the law enforcement community in its criminal enforcement efforts. As supervisors of the national banking system, we share this Subcommittee's concern that our nation's financial institutions not be used wittingly or unwittingly to facilitiate or conceal criminal activity. We recognize the importance of our role in assisting the law enforcement community and have worked actively to support their efforts. While we believe that we have made substantial progress in the past year, we recognize that much remains to be done.

The progress report which we provided to you earlier this week in response to specific questions posed in your letter of March 27, 1986, outlines our accomplishments in detail. In addition to questions regarding our progress, you also asked for our thoughts with respect to certain issues under the various provisions of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 and for our analyses and comments on various money laundering bills now before the House. We have addressed these questions in detail in an attachment to this statement. I will not repeat what we have written, but I would like today to highlight for you certain key points.

First, we have improved our management control over the agency's BSA program. We have, for instance, established in the Chief National Bank Examiner's (CNBE) office a central clearinghouse for BSA operations. The Enforcement and Compliance Division of the OCC has been coordinating activities and giving legal guidance. In the Districts, we have established focal points for BSA activities. Bank secrecy specialists and District Counsel are charged with additional responsibilities. These changes have ensured a continuing focus on BSA issues, a reliable flow of information on BSA matters, and a sound operating structure for BSA compliance activities. This new structure and the people involved have contributed substantially to our progress over the last year.

Second, we have intensified BSA training of our examiners. During the past year alone over half of our examiners received training in BSA matters. This training was put together by our BSA specialists and was presented at District staff training conferences. It was also given in OCC's White-Collar Crime course, which was presented four times in 1985, and in the Associate National Bank Examiner School for Advanced Study. On-the-job BSA training activities also have reached many of our other examiners. For instance, the new hires and junior assistant bank examiners' training program provides for them to participate in a BSA compliance examination as part of their training. In addition, training profiles now reflect an examiner's knowledge of the BSA and OCC's examination procedures, permitting us to target needed training.

Third, we have sought not only to train our examiners, but also to increase awareness within the industry. As part of our efforts in this area, we worked with the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board (FRB) to develop a training segment for the American Bankers Association's one-day video conference, which was repeated in 61 locations during late 1985 and reached nearly 6,000 people. In addition, we have provided speakers to participate in meetings before banking and law enforcement community groups to discuss BSA and other enforcement issues. Moreover, our BSA specialists and attorneys across the country and here in Washington respond to inquiries daily.

Fourth, we have participated in various interagency task forces and working groups and have continued to assist the law enforcement community whenever possible in their enforcement efforts. We were, for instance, instrumental in establishing a working group consisting of senior officials from our office, the Justice Department's Criminal Division, the FBI, and each of the major financial institutions regulatory agencies. The group's purpose was to improve the federal government's effectiveness in fighting crime in the nation's financial institutions.

The group made significant progress during 1985 and continues to operate effectively. Chief among its achievments were a variety of improvements in communications between and among the financial institutions regulators and the law enforcement community. A standard criminal referral form was designed and implemented for use by each of the supervisory agencies and all financial institutions. The form has promoted consistency in the reporting of suspected criminal offenses and has provided the Justice Department with a better means of tracking criminal referrals. The regulatory agencies agreed they would each adopt regulations or guidelines similar to OCC's Intrepretive Ruling (12 C.F.R. § 7.5225), which requires banks to report any suspected criminal activity. We have also proposed amendments to improve our rule.

In addition, the group improved communications by identifying points of contact in each agency on the the national and local level, thus establishing a network of individuals responsible for coordinating referrals and prosecutions. Specifically at OCC, District Counsel have been required to establish and maintain contact with individual United States Attorneys' Offices, FBI offices and strike forces for the purpose of coordinating criminal enforcement matters.

Moreover, to accelerate our response to law enforcement inquiries, we have formally delegated additional authority to the District Offices to respond and provide information directly. Similarly, we have worked with trade groups and individual representatives of the banking community to establish banking community contacts for the swift handling of problems in this area.

OCC also has enhanced its Enforcement and Compliance Information System (ECIS) to track criminal referrals and improve communications. This system generates reports that are distributed by OCC's District Counsel to U.S. Attorneys for feedback on the status of referrals. The ECIS was recently expanded to include the most significant criminal referrals made by the other regulatory agencies and records of disciplinary actions taken by the OCC or the other agencies against bank officials. As a result, we are now able to use the system in our background investigations of organizers of new banks and of change in control applicants.

The working group also recommended that a joint training course be developed to cross train FBI agents and examiners. The agencies and the Department of Justice each committed resources, and a formal training course was developed. A series of joint training sessions has since been held at the FBI Academy at Quantico and at selected sites around the country.

In addition to our work with the Department of Justice working group, OCC participated actively in efforts specifically focused on improving BSA enforcement. We worked with Treasury and other financial institutions regulators to revise the uniform BSA examination procedures. These revisions, which are presently undergoing a final review at Treasury, should be implemented in the near future.

We also vigorously supported the work of the IRS/Financial Institutions Regulatory Working Group which was created in December 1985 after the IRS was delegated additional responsibilities under BSA. This group will play an important role in facilitating communications among the agencies with BSA enforcement and compliance responsibilities, and in providing a vehicle for resolving problems. We have also developed a set of uniform guidelines and procedures for handling BSA referrals which will create a consistent method of dealing with identified violations.

Despite this progress, we believe that we must continue to do more. To ensure that the progress of the last year is not lost, on-going training and industry awareness efforts are critical. In light of the Deficit Reduction Act of 1985 (Gramm-Rudman-Hollings), however, although OCC remains committed to such efforts, we may not be able to maintain the same pace during 1986. Resources have been severely strained, and it has been necessary to make across-the-board reductions in training expenditures. Moreover, District training conferences and OCC attendance at public conferences and seminars, which have been valuable vehicles for sharing information on BSA and other important topics, have been cancelled or reduced.

In addition to on-going training and education efforts, we believe that progress is essential in two critical areas if gains are to be made in the federal government's efforts to ensure compliance with the BSA. These areas are (1) increased coordination among the agencies with compliance and enforcement responsibilities and (2) more effective use of available data for targeting compliance and enforcement efforts.

Increased Interagency Coordination

We have great faith in the benefits which can be derived from the interagency working group process. As discussed above, the Justice Department's working group, in which we actively participate, has proven how effectively the bank regulators can work together with the law enforcement community. We believe this experience can be used as a model for success in the BSA area, and as an active participant in the IRS/Financial Institutions Regulatory Working Group, we are looking forward to the same accomplishments in the BSA area.

Improved Targeting

Improved communications and utilization of available BSA and other financial data could, we believe, significantly increase the return on our enforcement and compliance resources. Clearly, neither OCC nor any of the other financial institutions regulatory agencies has the resources necessary to find all compliance violations through the examination process itself. Instead, our examiners continually make judgments based on available information as to where problems are most likely to exist, targeting their efforts in an attempt to identify and correct the most serious deficiencies.

This approach is not unlike that used by the IRS in its tax enforcement efforts. Clearly, the IRS cannot and should not audit each and every taxpayer. Instead, it has been quite successful in developing statistical routines and profiles to select for audit those returns most likely to contain compliance problems. Similar efforts are needed in the BSA compliance and enforcement area.

We have had some success in targeting BSA compliance efforts using computer analyses provided to us periodically by the Customs Service. The analyses which have, for instance, identified banks whose currency shipments to or from the Federal Reserve Banks have been out of proportion to the number of Currency Transaction Reports (CTR) they have filed, have to date, focused only on certain geographic areas. We think this approach has great value and would like to see it used even more. We have actively encouraged Treasury efforts through the IRS/Financial Institutions Regulatory Working Group to increase the use of available data and to develop statistical tools for analyzing the CTRs and other financial data to target institutions for intensive compliance review. We also are working to gain on-line access to the Treasury Financial Law Enforcement Center's CTR database to permit our examiners to test, as part of their examinations, whether the CTRs in the bank's file have in fact been filed with the Treasury.

Legislative Initiatives

A great deal can be accomplished through initiatives in the two areas I have discussed — increased interagency cooperation and improved use of available resources to target compliance and enforcement issues. We believe that additional legislation is necessary, however, to eliminate restraints on interagency cooperation and coordination and to specifically make money laundering a crime.

We agree with the general concept and intent of the various money laundering bills that have been proposed and support H.R. 2785, the Administration's proposal. We in no way countenance financial institutions being used to facilitate or conceal crime and therefore we look forward to working with the subcommittee in its review of the various proposals.

Among other things, these bills would specifically make it a substantive crime for anyone to knowingly use or allow a financial institution to be used to aid someone in unlawful activities. We fully support the concept of such proposals. We believe, however, that care must be taken to ensure that the law does not proscribe inadvertent conduct by an unwitting participant.

We likewise believe that the proposed modifications to the Right to Financial Privacy Act (RFPA) are necessary to enable individuals and institutions to make referrals of suspicious activities to the law enforcement community without inadvertently exposing themselves to potential substantial liability for violations of the RFPA or other federal or state privacy acts.

As to the new summons power given in the Administration's bill to the Secretary of the Treasury, we believe it may be appropriate under certain circumstances for that power to be delegated by the Secretary to the financial institutions regulatory agencies in order to further an examination or a civil investigation. For that reason, we support the provisions of H.R 2785 which would authorize the Secretary to delegate the power.

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The bill introduced by Representative Hughes, H.R. 1474, would make "wire and other electronic transfers" subject to being reported on a Currency or Monetary Instrument Report (CMIR). In light of the number of wire transfers that occur between institutions daily, we doubt this provision would be cost-effective. Also, in light of the new Treasury regulation which enables Treasury to require a specific financial institution to provide copies of all wire transfers for a particular period, we do not believe such a provision is necessary.

In addition to the leglislative initiatives needed to specifically address money laundering, we believe changes are needed in other laws, which may have been enacted without consideration of their potential effect on drug trafficking and money laundering problems, as the laws constitute constraints on our efforts in working with the law enforcement community. These barriers, which include the RFPA, certain state privacy acts, grand jury secrecy rules, and the procedures of various agencies, limit cooperation among federal supervisory and law enforcement officials. While these statutes are designed to protect values we all support, they unduly restrain legitimate government information-gathering and the free flow of information between and among agencies.

We have found that the RFPA in particular has interfered with our criminal referrals and has in all likelihood impaired the ability of the recipient agency to decide which of those referrals should be pursued. Similarly, the grand jury secrecy limits prevent the law enforcement community from working closely with our office and sharing information obtained before a grand jury.

These limitations on the ability of federal agencies to cooperate were highlighted in the Department of Justice/Financial Institutions Regulatory Working Group Agreement of April 2, 1985, with a unanimous recommendation that legislative relief be swiftly obtained. We believe that these overly restrictive statutory barriers to interagency cooperation should be examined and consideration given to reducing them so as to remove unnecessary impediments to law enforcement while at the same time protecting the important interests they were intended to preserve.

Conclusion

While much has been accomplished since January 1985, we recognize that more needs to be done. First, as we have indicated, we believe that continued coordination and cooperation among the agencies which share BSA compliance and enforcement responsibilities are critical. Second, greater use of available data to target compliance and enforcement efforts will, we believe, significantly increase the return on our resources. To assist us in our efforts, we encourage the Congress to consider favorably those legislative proposals before it which would eliminate present restraints on our efforts in working with the law enforcement community and their working with us.

Finally, as we have said in the past, law enforcement agencies and bank regulators alone can only provide a part of the solution. The industry's own commitment and efforts at self-policing are essential because the bank's own internal control processes are the most effective mechanisms for ensuring compliance.

With the changes we have urged and with an active interagency working group and a committed industry, we are confident that substantial additional progress in efforts to prevent the nation's financial institutions from wittingly or unwittingly being used to further criminal activities will be possible.

Attachment 1

I. Title I (Supervisory Authority Over Depository Institutions)

Question A. Specifically, is there any merit to considering giving the regulators authority to impose civil money penalties upon financial institutions for their failure to report under BSA or should the Treasury continue to have the authority to impose such penalties?

OCC believes that the Treasury Department should continue to maintain responsibility for civil money penalties against institutions or individuals who violate the Bank Secrecy Act (BSA). Treasury, which has oversight responsibility over the BSA, is in the best position to apply the civil money penalty authority consistently against all financial institutions whether state or Federal. In addition, the purpose of the BSA is to aid law enforcement. Where there are willful violations of the statute, we believe it most appropriate for them to be handled by the law enforcement community. In any case where there are violations the OCC already has available to it a broad-based authority to take independent action under its cease and desist authorities to address any supervisory concerns which might arise. In this regard, the OCC has specifically directed that banks take corrective actions when necessary to address supervisory concerns raised by violations of the BSA. Where those violations rise to a level where they might be considered willful, the OCC has, as a matter of course, made referrals to the Treasury Department and the IRS for consideration of civil and/or criminal action. Since the beginning of 1985, OCC has made more than 75 such referrals.

Recently, OCC provided the Treasury Department and the IRS/Financial Institutions Regulatory Working Group with a series of proposed changes to the guidelines for determining when and how such referrals should be made. OCC has suggested that Treasury and the group review the guidelines and the proposed procedures to improve them, with the objective of having consistent referral procedures.

A combination of consistent guidelines and consistent application of the civil money penalty process coordinated by Treasury would appear to be the best approach to imposing civil money penalties in the BSA area.

Question B. To what extent could these powers be improved upon to lend support in appropriate cases to criminal law enforcement investigations?

Each of the bank regulatory agencies currently enjoys broad enforcement authority. To a large extent, this authority has proven to be adequate in dealing with violations of laws, rules, and orders which do not amount to criminal violations. Nevertheless, OCC supports certain modifications to some of its authorities which would further enhance its civil enforcement authority. These modifications include an expansion of the categories of individuals covered by OCC's cease and desist authority; adoption of less rigid standards for use of temporary cease and desist orders and removal actions; and changes to the Change in Bank Control Act (CBCA).

Also, OCC continues to support revisions to the Right to Financial Privacy Act (RFPA) and the Grand Jury Secrecy Rules which would permit a freer exchange of information between Federal law enforcement authorities and the bank supervisory agencies. Moreover, OCC supports legislative proposals that would restore the absolute immunity that has traditionally permitted a Federal employee to rigorously enforce the law without the fear of having to defend a frivolous, harassing lawsuit.

Question C. To what extent, if any, might the supervisory power over depository institutions under existing law be extended to uncover criminal activities such as tax evasion, drug trafficking or money laundering, which could affect the safety and soundness of a financial institution?

As the regulatory agency responsible for the safety and soundness of national banks, OCC's primary responsibility is to ensure that banks operate in a safe and sound manner consistent with all applicable laws. Our supervisory process is geared to make such determinations. Since OCC examiners are not criminal investigators, the supervisory process is not specifically designed to ferret out evidence of criminal activity. Of course, whenever examiners uncover such evidence during the course of their examination of a bank's affairs, they clearly understand their responsibility to document and make appropriate criminal referrals to the law enforcement community.

The OCC and the other bank regulatory agencies are constantly working on ways to improve the criminal referral process. In this regard, we believe that we need to continue to develop methods of effectively utilizing our resources through, among other things, targeting and randomly selecting specific institutions for more intensive examination in the BSA area.

OCC believes that the best and most effective method of deterring criminal activity in banking institutions is to vigorously prosecute such activity when discovered. To this end, OCC has a long history of making its examiners and attorneys available to work with the law enforcement community for the purpose of resolving criminal investigations. Where deemed useful, OCC has made its examiners available to serve as agents of the grand jury to more directly assist prosecuting officials.

II. Titles VI (Change in Bank Control Act)

Question A. What modifications, if any, do you feel are necessary to deny acquisitions of control to unqualified or dishonest individuals?

We have supported for years the need for the Change in Bank Control Act (CBCA). We believe it is an effective means to deny ownership of financial institutions to disreputable individuals. We believe, however, that the CBCA could be improved to make it a more effective tool. We are considering specific modifications to the CBCA, which we would be happy to discuss with the Subcommittee at any time and to share suggested legislative language with you once it has received formal clearance.

Question B. Should more specific standards regarding what constitutes sufficient integrity or criteria be used to determine what would not be in the best interest of the depositors or the public be included by statute or imposed by regulation?

The OCC has not defined by regulation the specific level of integrity of any proposed acquiring person or provided specific criteria to determine when it would be in the public interest that a person be denied bank control. To specify the conduct or other grounds which might provide the basis for disapproving proposed changes in bank control might unnecessarily limit our mandate to enforce the CBCA by restricting those grounds upon which disapproval of notices of change in control may be based. We are aware, however, of the Federal Home Loan Bank Board's (FHLBB) new regulation which defines the factors they will consider in assessing the integrity and competence of those applying for approval under the Change in Savings and Loans Control Act (CSLCA). We will review the Board's experience with this approach and evaluate whether a similar regulation would be effective under the CBCA for national banks.

While the OCC presently requests information in the change of control application concerning the identity, source and amount of funds that will be used for the acquisition, we recently amended the application to require disclosure of the identities of any undisclosed parties in interest. This information directly relates to the "integrity" and "public interest" determinations, and it is hoped it will permit the OCC to determine all real parties in interest to the proposed transaction.

In order for the OCC to obtain additional information on which to base its decisions in CBCA cases, we have under consideration a proposed rule that would require public notice of CBCA applications and would solicit public comments on the applicants. The rule would increase the universe from which information is gathered, enabling the OCC to benefit from the increased amount of information available in its deliberations.

Question C. Should the agency be given more time in which to disapprove an application for change of control (currently within 60 days, not to exceed 90 under certain circumstances)?

Changes to the CBCA which would permit the appropriate Federal banking agency to extend the period in which it may issue a disapproval or a conditional approval of a change in bank control are being considered by OCC. Such an extension in time could aid the OCC in administering the CBCA. It also could increase the benefits to be derived from the additional information the OCC expects to receive as a result of the proposed rule which would permit public comments on CBCA applications.

Question D. What is the standard used for the term "willful" under the Act? Does this definition create problems for the agency? If so, what are they?

While OCC does not believe that the willfulness standard in the CBCA civil money penalty provision has created problems for the agency to date, we nevertheless believe that consideration should be given to eliminating this standard from the statute. This change would make the standard consistent with the civil money penalty standards presently contained in 12 USC §§ 93(b), 504(a), and 1818(i), and would help us deal more effectively with violations of the CBCA.

Deletion of the "willfullness" standard need not pose any threat that innocent investors would be punished for their conduct. The Federal Financial Institutions Examination Council's civil money penalty guidelines, which are used by all of the banking agencies in determining whether to assess civil money penalties, have proven to ensure fair and consistent treatment. They could be readily applied in considering whether to assess penalties for violations of the CBCA. Moreover, when considering whether to assess civil money penalties, OCC also uses additional criteria which include considerations relating to willfulness, personal benefit, and knowledge.

Question E. What problems, if any, is the agency incurring in obtaining sufficient relevant information on foreign nationals seeking to acquire U.S. depository institutions?

To date, the OCC has not experienced any major, recurring problems in obtaining information on foreign nationals wishing to acquire national banks. On occasion, however, problems have developed which are unique to these types of filings. The most pronounced problem has been in obtaining the information within the timeframes stated in the CBCA.

Quite often information is required through our embassies or through foreign central banks. This process is a time-consuming one. Also, in cases involving foreign nationals, requests are made to a greater number of agencies, and since the agencies are not required to respond to us, often their responses are not timely. The information obtained from central banks and other third parties is often a major factor in the decision but, because it is not information requested of the acquirer, we do not believe the CBCA allows the agency sufficient authority to extend the timeframes in order to obtain the information. As stated previously, an expanded set of timeframes could help solve this problem.

Another problem, which is encountered rarely but is very significant, is the inability to use information provided to us by other U.S. Government agencies, foreign regulators, or other parties because of limitations placed on the use of this information by these parties. On occasion, information reflecting negatively on an acquirer's character is obtained but is furnished under a requirement that it cannot be disclosed. Because the reasons for any disapproval must be given to the acquiring party, this information may be, in effect, useless. In addition, the OCC may be unable to gain access to certain information due to current requirements of law. *See, e.g.* The Grand Jury Secrecy Rule 6(e), Fed. R. Crim. P. As we have noted repeatedly, we believe significant steps need to be taken to permit better sharing of information.

III. Title XI (Right to Financial Privacy Act)

Question A. As you know, the Right to Financial Privacy Act gives individuals notice of, and a right to challenge, federal government agency requests for their bank records. In 1978 this committee sought to strike a balance between a customer's right of privacy and the need of law enforcement agencies to obtain financial records pursuant to legitimate investigations. Today, our goals are not any different from what they were in 1978. However, some law enforcement officials have suggested that the 1978

Act is at times an impediment to legitimate law enforcement investigations. Indeed, the Administration's bill, H.R. 2785, would deny the customer's financial privacy protection under the Act under certain circumstances. The subcommittee would welcome your comments on the experiences you have had with Right to Financial Privacy concerns, and whether in your opinion amendments to the Right to Financial Privacy Act are warranted.

On numerous occasions, OCC has expressed its frustrations with the restrictions imposed by the Right to Financial Privacy Act (RFPA) on the free exchange of information between the bank regulatory agencies and Federal law enforcement officials. That frustration has not abated. The RFPA in particular has interfered with our criminal referral process, preventing us from providing full information with our initial referrals and, consequently, has affected the recipient agency's ability to determine effectively which referrals should be pursued.

Under the RFPA, the OCC has been limited on the quantity of information that could be provided in a criminal referral absent a post-transfer notice to the customer(s) involved. Post-referral notifications always run the risk of premature disclosure of criminal investigations, raising the possibility of evidence disappearing, witnesses failing to come forward, and defenses being manufactured. Recognizing this, OCC has, as a matter of course, made referrals in such a manner as to avoid the necessity of such notice.

It is difficult to determine what impact this approach has had on the prosecution of cases referred by OCC. Referrals with limited information, of necessity, cannot always adequately convey the depth or significance of a given criminal offense. Moreover, it is difficult for the Department of Justice to adequately assess the strengths and weaknesses of a potential bank fraud case unless it is able to evaluate these factors. A proper evaluation requires access to all of the facts which may bear on the significance of the criminal activity. Nevertheless, the restrictions imposed by the RFPA prevent this type of analysis from taking place at the time of the initial referral.

It is only after a grand jury subpoena has been served and the documents are examined that an appropriate evaluation can be made. Likewise, in order for us to protect our examiners from inadvertently violating the RFPA when they meet with law enforcement officials to discuss cases, we have generally required a grand jury subpoena. One obvious problem presented by this approach is that it creates unnecessary barriers to providing information and in most cases requires several contacts and delays before all of the relevant facts are in the hands of the prosecutor.

While OCC has attempted through oral contacts with the U.S. Attorneys' offices, to minimize any damage that could be done by these impediments, the initial lack of a full written explanation of the basis for the criminal referral, has, in OCC's judgment, unnecessarily impeded the law enforcement process.

It is very difficult to quantify the extent to which the RFPA has actually impeded an investigation or to what extent a lack of information influenced a decision to not pursue a case. We do know, however, that the limitations, either actual or perceived, have unreasonably hindered full cooperation among and between the banking agencies and the law enforcement community. The Justice/Financial Institutions Regulatory Working Group in the final Agreement of April 2, 1985, unanimously concluded that restraints like the RFPA should be modified if the Government is to coordinate effectively its efforts in its battle against all types of crime.

We have long maintained that these limitations could be significantly relaxed without any significant intrusion into privacy rights, with an amendment such as that contained in the Administration's bill, H.R. 2785. The bill's provisions would not intrude on any right of privacy as they would only allow information already legally in the hands of the Government to be used by other agencies of the Government for law enforcement purposes. The purposes of the RFPA, to prevent the extra-legal use of bank records, would be preserved.

Money Laundering Bills

Several bills now before the House would create a new crime of money laundering. They prohibit a person from engaging in a financial transaction with criminally derived property, knowing that the property is criminally derived. We support fully these bills' intent to prevent anyone, whether inside or outside of a financial institution, from knowingly using the institution to launder funds. We agree particularly that the knowing standard should be maintained to ensure that individuals or institutions are not subject to severe criminal penalties for inadvertent violations. We similarly endorse the enhanced penalties and suggest that the size of any monetary penalty be based on various factors, including the culpability of the individual or institution and the financial solvency of the violator.

We believe that the provisions in the bills that would modify the RFPA and that would preempt state laws are necessary to enable individuals or institutions to make referrals to the law enforcement community of suspicious activities without inadvertently exposing themselves to potential substantial liability for violations of the RFPA or other Federal or state privacy acts. Likewise, as explained in detail in our April 14, 1986 progress report to this Subcommittee in response to question 3 of the Chairman's letter of invitation of March 27, 1986, we believe that the limitations in the RFPA should not apply to Government sharing of information for law enforcement purposes once the information has been obtained through lawful processes.

Attachment 2

April 14, 1986

The Honorable Fernand J. St Germain
Chairman
Subcommittee on Financial Institutions
Supervision, Regulation and Insurance
Committee on Banking, Finance and
Urban Affairs
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In response to your letter of March 27, 1986, we are pleased to provide a report updating the Subcommittee on our efforts to improve enforcement of the Bank Secrecy Act (BSA). The report includes detailed responses to the eight points mentioned in the letter. Together with the responses to the questions raised on the Financial Institutions Regulatory and Interest Rate Control Act of 1978 and the requested analysis of various bills dealing with money laundering appended to our testimony, it offers a comprehensive overview of what we have accomplished in the BSA area and progress we hope to see made in the future.

Since this Office testified before the Subcommittee last April on the BSA, we have taken strides to improve BSA compliance. We have focused management control over our BSA program, establishing a central clearinghouse for BSA operations and responsibilities in the Chief National Bank Examiner's office and designating focal points for BSA activities in the districts. We have intensified BSA training of examiners such that over half of our examiners received some BSA training last year. We have made a concerted effort to increase industry awareness of the BSA by participating in meetings to discuss the Act and by helping to develop a training segment for an American Bankers Association teleconference on the subject. And, we have taken an active role in establishing and facilitating interagency task groups on bank-related crime in general and BSA enforcement in particular.

In order to build on the progress that we have made in the BSA area over the past year, we will continue on-going training efforts to heighten industry awareness. In addition, we will work toward increased interagency coordination and improved utilization of information to target BSA enforcement efforts.

While much has been accomplished since January 1985, more needs to be done. This Office is committed to its role in ensuring BSA compliance. But, law enforcement agencies and bank supervisors alone can provide only part of the answer. The industry's own commitment and efforts at self-policing are essential because banks' internal controls are the most effective mechanisms for promoting BSA compliance. With the legislative changes we urge in our testimony and active interagency cooperation and a committed industry, we are confident that substantial additional progress can be made in preventing the nation's financial institutions from being used, wittingly or unwittingly, to further criminal activity.

I look foward to working with the Subcommittee in the important task of improving BSA compliance.

Robert L. Clarke
Comptroller of the Currency

Report to the Subcommittee on Financial Institutions Supervision, Regulation, and Insurance Committee on Banking, Finance, and Urban Affairs United States House of Representatives

Bank Secrecy Act Enforcement Since January 1, 1985

April 14, 1986

The Office of the Comptroller of the Currency (OCC) has accomplished a great deal since January 1, 1985, in its effort to improve national banks' compliance with the Bank Secrecy Act (BSA). Our efforts have proceeded along the lines set forth in our testimony before this Subcommittee on April 3, 1985. Specifically, as reported in our October 1986 six-month progress report and again in briefings for your staff in February of this year, we have improved training of our examiners, increased awareness and understanding of the Act's provisions in the national banking community, improved management control over our examination efforts, and worked to further effective enforcement by increasing coordination with Treasury, the other federal banking agencies, and the law enforcement community.

The following progress report responds to specific questions posed in your March 27, 1986, letter of invitation.

Question 1. The number of institutions examined by your agency since January 1, 1985, and the number and type of violations of the BSA found at these institutions, and actions taken by your agency on these violations.

During the period January 1, 1985, through December 31, 1985, OCC conducted approximately 4,150 examinations. These examinations varied in duration as well as scope. An examination may be conducted by one examiner for as little as a day or many examiners for several weeks. The scope of an examination may involve an analysis of a specific area of a bank's operation or a comprehensive analysis of the entire institution.

Of the 4,150 examinations, 1,084 identified violations of the BSA. The most frequently cited violation relates to improper completion of Form 4789, Currency Transaction Report (CTR). Common errors include incomplete addresses, improper identity verification, incomplete/incorrect name and address of reporting financial institution, incorrect identification number of financial institution, and failure to sign the CTR. Late filing of CTRs is also a problem, though to a lesser degree.

Another problem noted was the failure to file CTRs. A major problem involved the non-filing of CTRs on transactions with foreign banks. This problem relates to a 1980 change in the regulation which eliminated the exemption for transactions with foreign banks. Although we forwarded copies of the changed regulation to the national banks, it is apparent that many missed the change. Since early 1985, the banking community has become much more aware of this requirement, and we are now seeing fewer of these violations.

Some problems in complying with the exemption list requirement in the regulation have also been noted. Examiners have found instances where ineligible customers are included on exemption lists, exemption lists fail to include the required information, or the dollar amount of the exemption is suspect.

Banks have also been cited for recordkeeping violations. Foremost has been the failure to properly record a statement of purpose on loans in excess of $5,000 not secured by an interest in real property.

The majority of BSA violations appear to result from the weaknesses in banks' internal controls and policies. However, through the efforts of all parties, enhanced compliance efforts within banks are being noted.

OCC submits all violations noted in examination reports to the Department of the Treasury on a quarterly basis. Where special attention is warranted, OCC makes a separate referral of the matter. More than 75 such referrals were made in 1985. These referrals had been made directly to Treasury's Office of the Assistant Secretary for Enforcement. In light of the recent delegation from the Secretary to the IRS, and in line with the suggestion of the new IRS/Financial Institutions Regulatory Working Group that was created in December of 1985, these separate referrals for consideration of criminal or civil penalties are now being sent directly to the IRS, Criminal Investigation Division (CID), with a copy provided to the Assistant Secretary for Enforcement. Once referrals have been made, our examiners and attorneys attempt to assist the agents of the IRS or other members of the law enforcement community as requested in their investigations.

Administratively, where a bank's systems need improvement, we direct that corrective actions be taken. In certain instances, OCC has used its formal enforcement powers to require that these actions be taken.

Question 2. Describe the training programs given to your examiners in BSA techniques and procedures. What improvements, if any, have been made since January 1, 1985?

OCC has enhanced the training of its examiners in the BSA. Through a variety of programs, instruction has been and continues to be provided to all levels of examining personnel.

Training Crew — Virtually every new examiner hired by the OCC is placed on a training crew for a period of at least six months. Crews consist of commissioned national bank examiners (leaders), seasoned associate examiners (assistants) and trainees. The program training manual specifically addresses BSA issues and was recently updated to improve the BSA segment. The training crews circulate to national banks and conducts examinations as a team. The training they receive is a combination of "classroom" sessions and on-the-job training. Part of the training agenda is to conduct BSA compliance examinations.

District Staff Training Conferences — In 1985, District staff training conferences were held for District examining personnel in all OCC Districts. Specialists from the Washington and District Offices conducted BSA training sessions at each. The participants in these sessions generally were examiners with at least two years experience. Senior examiners and district management also participated in the sessions.

The purpose of the sessions was to heighten BSA awareness; increase expertise; provide examination guidance and guidance for referring cases of noncompliance to Treasury/IRS; and address miscellaneous concerns and problems encountered in BSA.

Associate National Bank Examiner School for Advanced Study — This school is for examiners preparing for commission as national bank/trust examiners. A special BSA section was written for the school and is part of the curriculum for 1986. The objectives of the course are twofold: to impart knowledge of BSA requirements and to ensure that attendees are knowledgeable of OCC's BSA examination procedures.

Field Manager Meetings — These meetings are attended by all supervising examiners, District management and certain District Office staff. A variety of issues are covered. In many instances, District policies and procedures are established for those items requiring such action. BSA was a significant topic in each District during 1985.

White Collar Crime School — This school trains examiners in the detection of white-collar crime and how to work with law enforcement matters. Given four times a year, it is attended by senior commissioned examiners. A special segment has been developed on BSA and money laundering issues. Likewise, throughout the course the importance of working cooperatively with the law enforcement community is stressed.

FBI/Financial Institutions Regulatory In-Service Program — Pursuant to the recommendation of the Department of Justice/Financial Institutions Regulatory Working Group Agreement of April 2, 1985, a new training course jointly sponsored by the FBI and the bank regulatory agencies to be attended by senior FBI agents and senior examiners from each of the agencies was developed. The purpose of the course is to cross-train examiners from all of the federal financial institutions regulatory agencies and FBI agents in investigations and prosecutions. Since its inception, this course has been given a number of times in various locations throughout the country.

Other Training — OCC's Training and Development Division has established a computer-based technical progress evaluation for newly promoted examiners. This system has been implemented in each of the Districts. The purpose of the evaluation is to identify areas where an examiner requires additional training. BSA issues are part of this program.

The Uniform Commission Examination is given to all examiners progressing from the rank of associate national bank examiner to national bank examiner. This is a test of an individual's overall knowledge of laws, policies, and procedures. The amount of BSA related material has been increased.

OCC is committed to developing and maintaining BSA knowledge of its employees at a high level. Their awareness and knowledge are further increased through our efforts to alert the banking industry and the public to BSA concerns.

Question 3. Describe efforts your agency has undertaken to improve communication with law enforcement agencies. What legal or policy impediments still exist that interfere with an open communication between the agency and law enforcement officials. Are they justified, in your opinion?

In late 1984, the OCC was instrumental in establishing the Justice/Financial institutions Regulatory Working Group, consisting of senior officials from the OCC, U.S. Department of Justice Criminal Division, the FBI, the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC) and the Federal Home Loan Bank Board (FHLBB). The purpose of this group was to address common problems and to promote cooperation toward the goal of improving the Federal Government's response to white-collar crime in the nation's federally regulated financial institutions. Through a series of meetings conducted first on a weekly basis and subsequently on a monthly basis, the working group made significant progress in a number of areas. Chief among these are the design and implementation of a standard criminal referral form for use by each of the supervisory agencies and institutions. The purpose of the form is to create a consistent manner of reporting suspected criminal offenses and to provide the Department of Justice with a better means to track criminal referrals. Each agency also worked to adopt new regulations, guidelines or policies similar to OCC's to require all regulated institutions to report potential criminal offenses to law enforcement.

Each agency and the Department of Justice also established a network of contacts on a national and local level who could be contacted for purposes of coordinating referrals and prosecutions. This list has been widely distributed and will be periodically updated.

The Department of Justice Fraud Section set up a tracking system to track significant cases (*e.g.*, those involving significant amounts or bank insiders). The FBI is currently developing a nationwide criminal referral tracking system to compile violations in order to prosecute repetitive offenders even if the amounts are *de minimis*.

The working group also recommended that a joint training course be developed to cross-train FBI agents and examiners. The agencies and the Department of Justice committed resources to this, and a formal training course was developed. A series of joint training sessions have since been held both at the FBI Academy at Quantico and at selected sites around the country.

The working group also made specific recommendations for needed amendments to the Right to Financial Privacy Act (RFPA) and the Grand Jury Secrecy Rules. Subsequent to the group's recommendation, the Administration proposed legislation to eliminate the major impediments to law enforcement cooperation contained in the RFPA and the Grand Jury Secrecy Rules. The group strongly backed amendments to the RFPA which would facilitate the ready exchange of information between the agencies and law enforcement authorities without additional notice. The group also supported revisions to the Grand Jury Secrecy Rules which would permit law enforcement authorities to share Grand Jury information with the agencies upon an appropriate showing that such information would raise supervisory concerns.

On April 2, 1985, the Attorney General and senior officials of each of the bank regulatory agencies signed an Agreement summarizing the understandings reached by the members of the working group and committing to continued cooperation in each of these areas. Since that time, the group has added to its membership representatives from the National Credit Union Administration and the Farm Credit Administration and continues to conduct monthly meetings on a variety of law enforcement issues. Representatives of the supervisory agencies also use this group as a vehicle for conducting regular meetings on civil enforcement matters.

Notwithstanding the significant progress accomplished through the working group, several very serious legal impediments still exist which interfere with full cooperation and coordination between and among the agencies and the law enforcement community. In addition to the provisions of RFPA and the Grand Jury Secrecy Rules addressed by the working group, additional restrictions contained in various state privacy acts and the Freedom of Information Act continue to impede the full and open exchange of information. The OCC has testified previously before various committees of Congress concerning the specific problems raised by these statutes.

Question 4. Describe the progress, if any, that has been made between your agency and the Federal Reserve regarding the type of currency shipment reports that are made available by the Fed. Has your agency made use of such reports? Be specific.

The Customs Service has periodically provided OCC with computer data analyses which have proven to be very useful in targeting compliance efforts. These analyses have permitted comparison of the CTR data with the FRB's currency shipment data to identify cases where a bank's CTR filings fail to correlate appropriately with its currency shipments to or from the Fed. Increased access to such analyses would improve OCC's ability to target its BSA compliance efforts and thus substantially increase the OCC's ability to effectively monitor BSA compliance.

In addition to encouraging increased availability of targeting analyses, OCC is working through the IRS/Financial Institutions Regulatory Working Group to obtain direct online access for our examiners to the Treasury Financial Law Enforcement Center CTR database. This access would permit the examiners to ensure that the CTR filings indicated in a bank's records are in fact reflected in Treasury's database.

Question 5. Describe the management controls over implementation of BSA responsibilities that were in place January 1, 1985, and changes, if any, since that time.

Although an integrated system of controls over OCC's examination process was in place prior to January 1, 1985, no separate controls existed over BSA compliance activities. Examinations were conducted pursuant to the *Comptroller's Handbook for National Bank Examiners* or, where specific information was available raising questions about a bank's BSA compliance, under special instructions from the district or field offices. If compliance problems were uncovered during the examination, OCC district management personnel were alerted and responded with appropriate follow-up action.

Information regarding BSA compliance was provided to OCC Washington headquarters and Treasury in a quarterly report which provides a compilation of the number of banks examined per calendar quarter and a listing of the BSA violations noted.

Since January 1, 1985 OCC has taken steps to strengthen management controls over BSA. BSA responsibility has been centralized under the Chief National Bank Examiner (CNBE) to streamline communication and provide effective monitoring of BSA compliance.

The CNBE's Office is responsible for developing BSA examination policies and procedures; acting as liaison between OCC and other agencies charged with BSA oversight; maintaining lines of communication with respect to the BSA between the industry and OCC; reviewing BSA referral recommendations; and ensuring adequacy of examiner BSA training. Information flow has been better controlled by directing all BSA matters through the CNBE. Information such as U.S. Customs Service analyses of potential BSA compliance problems, Customs Service analyses of currency flows in certain areas of the United States, notification of IRS/Treasury BSA criminal investigations, and recommendations for referrals by bank examiners of banks in violation of BSA are all part of the flow of data through the CNBE's Office. These items are tracked by the CNBE's Office to ensure proper control and follow-up.

The CNBE's Office is supported by designated BSA specialists in each District. These individuals deal directly with examiners, bankers, and the CNBE's Office and are also available to conduct BSA training. This structure has served to streamline OCC's BSA oversight.

In addition to the CNBE's Office, the Enforcement and Compliance (E&C) Division in Washington plays an important role in the BSA process. This Division is involved in the recommendation of BSA referrals to Treasury/IRS for assessment of civil and/or criminal penalties. A designated individual is reponsible for tracking referrals through the use of the Enforcement and Compliance Information System (ECIS), making recommendations on the cases to pursue and providing advice to field examiners. The District Office legal staffs work closely with the District BSA specialists, the E&C attorneys, and representatives of the law enforcement community to coordinate OCC's efforts.

Finally, policies and procedures are being established which will formalize the referral process and fix specific responsibilities. Copies have been provided to the IRS/Financial Institutions Regulatory Working Group for review. Once the document is put in final form, a uniform set of criteria and procedures will be in place for all federal financial institutions regulatory agencies.

Question 6. Describe the initiatives your agency has taken to broaden knowledge of and exposure to reporting requirements of the BSA for those institutions you regulate.

OCC has advanced several different methods to broaden national bank knowledge of and exposure to the reporting requirements of BSA.

Circulars — Banking bulletins and banking circulars have been issued by OCC whenever needed to address problems with BSA. Since January 1, 1985, several new issuances dealing with BSA have been distributed.

— Banking Circular 193, dated April 24, 1985

Addressed lack of compliance with BSA, the requirements of the Act and the methods for bank management to provide information to OCC and the Department of the Treasury when violations are detected.

— Banking Circular 193, Supplement 1, dated May 9, 1985

Transmitted a copy of a Treasury Department opinion regarding the filing of Form 4790, Report of International Transportation of Currency or Monetary Instrument. The opinion clarified Treasury's position regarding banks' hiring private courier services to effect the international transportation of currency through a common carrier.

— Banking Circular 193, Supplement 2, dated July 5, 1985

Identified Detroit as the new location to which to forward CTRs, and provided the name of a Treasury Department contact for BSA questions.

— Banking Circular 207, dated September 18, 1985

Transmitted copies of the Criminal Referral Form designed by the Justice/Financial Institutions Regulatory Working Group. These forms are to be used by financial institutions to report instances of known or suspected crimes. The BSA is specifically listed on these forms together with specific referral instructions.

— Banking Bulletin 85-27, dated December 20, 1985

Transmitted a copy of an IRS press release regarding the revised Form 4789 which was to become effective January 1, 1986, with implementation July 1, 1986.

— Banking Circular 193, Supplement 3, dated January 27, 1986

Transmitted a copy of an IRS press release regarding IRS's new responsibility of reviewing exemption lists and reviewing requests for special exemptions.

— Banking Circular 193, Supplement 4, dated March 27, 1986

Distributed IRS's guidelines to banks who wish to request special exemptions from the financial reporting requirements of BSA.

— Banking Bulletin – 86-9, dated April 9, 1986

Many banks have been found to have submitted incomplete CTRs to IRS. These institutions are requested to correct and resubmit the CTRs. Because no formal criteria had been established for this process, banks would fill out a new CTR and submit it to IRS. The filing would be added to the data base causing a duplication. This bulletin provides IRS/Treasury's guidelines for filing amended CTRs to mitigate duplication.

— Banking Circular – 171 and Supplement, dated January 3, 1985

In addition to banking issuances addressing BSA, OCC has issued banking bulletins to the industry and the public alerting them of potentially fradulent schemes perpetrated by certain offshore shell banks that may be operating improperly or illegally in the U.S. These bulletins continued through the year and were used to gather information for the use of banks and the law enforcement community.

Comptroller's Manual for National Banks — This is the OCC's manual containing summaries of relevant laws and regulations (including those pertaining to BSA) applicable to national banks. This manual is used by OCC's examiners and is distributed to all national banks. An update to the manual was issued in July 1985 addressing several changes in the BSA. In October 1985, several clarifying and non-substantive changes in the BSA regulations were listed in the *Federal Register* and became effective November 21, 1985. These "housekeeping" amendments will be included in the next regular manual update.

Comptroller's Handbook for National Bank Examiners — The Handbook contains the bank examination procedures used by OCC examiners. Separate BSA procedures are set forth. All national banks have copies of these procedures. The OCC has been working with a task group at Treasury to update and revise these procedures. Upon completion of Treasury's review, these new procedures will replace OCC's existing procedures and will be adopted by all of the financial institutions regulatory agencies. The revised version will be distributed to examiners and national banks. Banks will be encouraged to implement the procedures internally to assess compliance with BSA.

American Bankers Association (ABA) Video Conference — Together with the Federal Reserve and the FDIC, OCC played a central role in the development of a training segment entitled "Examiners" for use by the ABA in a BSA video conference which was presented in 61 locations across the country between September and November, 1985. Between 5,600 and 6,000 individuals attended these presentations. The regulatory agencies' segment developed to simulate examiner discussion of the results of an "examination" prior to meeting with bank management. The simulation illustrated what examiners look for in the BSA area during an examination and what banks should be doing to enhance BSA compliance.

Speeches and seminars — Over the past year, OCC representatives have spoken to various banking and legal groups about BSA problems and methods to ensure compliance. Many banks and private groups themselves also put on seminars concerning compliance with BSA.

Newly Chartered Banks — Prior to the opening of a newly chartered bank, OCC conducts a pre-opening examination. The purpose of this examination is to ascertain whether the bank has proper forms, manuals, systems and procedures to operate effectively. The OCC's Bank Organization and Structure Department is reviewing the pre-opening procedures to ensure that BSA is adequately addressed.

Question 7 Describe the role your agency played in the Attorney General's Bank Fraud Working Group. Cite specific examples on how your agency has implemented that agreement.

The OCC was a prime mover and principal participant in the Justice/Financial Institutions Regulatory Working Group and continues to be a very active participant. Senior OCC officials are working members of the group, and the activities and recommendations of the group are fully discussed throughout the OCC.

Considerable time and resources have been devoted at OCC to design, create, and distribute the uniform criminal referral forms developed through the efforts of the working gruop. There are two such forms: one for major cases and one for *de minimis*, non-insider violations.

OCC has also been an active participant in the training program developed and sponsored by the working group. OCC examiners have trained along with examiners from other agencies and FBI agents, and OCC provides instructors to assist in the program. In May of this year, working with the staff of the FBI Academy at Quantico, OCC's Southeastern District Office in Atlanta, Georgia, will sponsor a regional training program for examiners and FBI agents.

In October 1985, OCC proposed a regulation to replace its current Interpretive Rule that requires national banks to report violations of criminal law. Numerous comments were received from a variety of sources and the OCC is currently in the process of finalizing its regulation. The other agencies are implementing similar regulations or guidelines. Thus, as well as there being consistency in the forms to be submitted, all financial institutions will be under a similar requirement to make referrals.

OCC continues to rely on and has enhanced its automated Enforcement and Compliance Information System (ECIS) to track criminal referrals. This system now enables us to track referrals and generates regular reports which are distributed by OCC's District Counsel to U.S. Attorneys for feedback on the status of referrals. In addition, customized reports on BSA referrals will be sent to the Treasury Department and the IRS. ECIS was recently expanded to include the most significant criminal referrals made by the other regulatory agencies against bank officials. The system thus can also be used in our background investigations for new banks or changes in bank control applications.

Points of contact for law enforcement matters have been established in each District and in the Washington Office. District Counsel have been specifically required to establish and maintain contact with individual United States Attorneys' Offices, FBI offices, and strike forces for the purpose of establishing coordination for criminal matters. To add to the swiftness of response to law enforcement inquiries, we have formally delegated additional authority to the District Offices, permitting them to respond and provide information directly. We have likewise worked with representatives of the banking community to designate contacts within their organizations to ensure the swift handling of problems.

OCC has made copies of the working group's Agreement available to all national banks, seeking suggestions on how the Agreement can be improved. OCC representatives also make presentations to representatives of the industry to explain the importance of the criminal referral process.

OCC has also used the working group as a central point of contact and clearinghouse for the purpose of facilitating the exchange of information on matters that may cross between the jurisdictions of each agency.

Question 8. Submit copies of all revised regulations, banking circulars, newsletters, internal communications, updates to manual for examiners, and any other written information pertaining to enforcement efforts of the BSA undertaken by your agency since January 1, 1985.

Copies of the following were provided:

1. Revised BSA Examination Procedures.
2. *Comptroller's Manual for National Banks* — BSA implementing regulations, 31 C.F.R. Part 103.
3. Banking Circulars
    a. Banking Circular 193, dated April 24, 1985 — reminds bank management of its ongoing responsibility to ensure compliance with all aspects of BSA.
    b. Banking Circular 193, Supplement 1, dated May 9, 1985 — transmits a Treasury Department opinion on filing Report of International Transportation of Currency or Monetary Instruments.
    c. Banking Circular 193, Supplement 2, dated July 5, 1985 — identifies new location to forward CTRs and provides Treasury Department contact for BSA questions.
    d. Banking Circular 193, Supplement 3, dated January 27, 1986 — transmits IRS press release regarding IRS's new responsibility for reviewing exemption lists.
    e. Banking Circular 193, Supplement 4, dated March 27, 1986 — distributes IRS guidelines to banks who wish to request special exemptions from the reporting requirements of BSA.
    f. Banking Circular 207, dated September 18, 1985 — transmits the Criminal Referral Form.
    g. Banking Circular 171 and Supplements dated January 3, 1985 — alerts industry to fraudulent schemes involving offshore shell banks.
    h. Banking Circular 141 and Supplements dated May 3, 1980 — advises banks of "advance fee schemes" by fraudulent brokers.
4. Examining Circular 228, dated April 24, 1985 — sets out guidelines for ensuring that national banks and federal branches and agencies comply with the Bank Secrecy Act.
5. Banking Bulletins
    a. Banking Bulletin 85-27, dated December 20, 1985 — transmits copy of IRS press release regarding the revised Form 4789.
    b. Banking Bulletin 86-9, dated April 9, 1986 — outlines procedure for correction and resubmission of incomplete CTRs to IRS.
6. Employee Newsletter Articles
    a. Bank Supervision Newsletter, dated July 1985 — discusses ramification of BSA for trust departments.
    b. Bank Supervision Newsletter, dated August 1985 — discusses changes to 31 CFR 103 promulgated through August, 1985.
    c. Bank Supervision Newsletter, dated October 1985 — provides information relative to referring BSA violations to the Treasury Department.
    d. SuperVisions, dated February 1986 — discusses IRS responsibilities for exemption lists.
    e. SuperVisions, dated March 1986 — provides IRS contact numbers for BSA inquiries.
7. Proposed amendments to 12 CFR Parts 7 and 21 — designed to make report filing more efficient for banks and more useful for law enforcement agencies in identifying patterns of criminal activity and apprehending persons who commit crimes involving national banks.

Statement of Robert L. Clarke, Comptroller of the Currency, before the House Subcommittee on Commerce, Consumer and Monetary Affairs of the Committee on Government Operations, Washington, D.C., April 22, 1986

Mr. Chairman and members of the Subcommittee, I welcome the opportunity to appear before you to discuss the separation of commercial and investment banking. Your interest in reassessing the laws and regulations that govern our financial services industry is vitally important. I share your goal of ensuring that the industry is able to serve the needs of the American public in a responsive and efficient manner. For that reason, your inquiry into the reform of the current legal structure governing banks is especially welcome. I look forward to working with the Congress, the Administration, and the financial services industry in a joint effort to reshape the appropriate laws and regulations.

Your letter of invitation asked that I address a large number of issues. I am impressed with their thoroughness. Unfortunately, much of the information that you requested is not readily available at the OCC. As our research into the areas covered in your letter proceeds, we will be pleased to share the results with your Committee.

In my remarks today, I will concentrate on one of the major areas where reform is needed: the Glass-Steagall Act. I will describe the dramatic and unforeseen changes that have taken place since the passage of Glass-Steagall and its current effects on banks and securities firms. In particular, I will describe its effect on commercial bank performance. Finally, I will address some of the concerns that arise with the prospect of reform of the Glass-Steagall Act.

As the primary supervisor of nearly 5,000 national banks, I am committed, as I know you are, to ensuring the long-term health of the commercial banking industry. I am concerned that the performance of the industry has weakened in recent years. I see the banking industry's long-term health threatened by outdated laws and regulations that unduly limit the ability of banks to diversify their loan portfolios, liquify their assets, develop new, more diversified sources of income, and adjust to a changing financial services marketplace. Those restrictions have a direct and adverse effect on the safety and soundness of the banking system. I believe that the long-term health of the commercial banking industry demands that the Glass-Steagall Act be amended.

The Glass-Steagall Act was one part of sweeping legislation aimed at resolving the banking crisis of the 1930s. Its principal intent is to limit the ability of firms to offer both commercial banking and investment banking services. The Glass-Steagall Act generally provides that, with certain exceptions, banks may not underwrite or deal in private-sector securities, nor may they be affiliates of, or share directors with, firms that do. Investment banks, similarly, are prohibited from accepting deposits.

In reality, the separation between commercial banking and investment banking is not nearly so complete. In fact, by creatively combining products and services, some members of the securities industry now offer fully integrated commercial and investment banking. For example, Merrill Lynch, through its highly successful Cash Management Account (CMA), is offering its customers the functional equivalent of demand deposits, consumer credit, and a full range of securities services. The wide acceptance of this product indicates that it fills a genuine marketplace demand. In less than 9 years Merrill Lynch's CMA has attracted more than one million customers and assets in excess of $70 billion, including $27 billion in money market mutual funds. In addition, Merrill Lynch even owns a bank.

By contrast, attempts by banks to offer a broader range of products and services have more often than not been challenged on Glass-Steagall grounds. Thus, not only has the intent of Glass-Steagall been breached by securities firms; the Act itself continues to be a useful tool for the securities industry to protect its markets from commercial bank entry.

Unfortunately, there is no consensus on exactly what Glass-Steagall permits or prohibits, particularly for commercial banks. Glass-Steagall-based court challenges to bank initiatives are plentiful, but the courts have not provided consistent, workable guidance for banks or the regulatory agencies. I can assure you, it is an extremely difficult environment in which to regulate. And I can tell you from my experience as a practicing lawyer that it has a chilling effect on bankers who are attempting to innovate and remain competitive in a rapidly changing marketplace.

Changes in the Financial Services Environment

Part of the confusion, no doubt, is a natural consequence of trying to apply a law written in the 1930s to the marketplace of today. Glass-Steagall was a response to the conditions prevailing in the industry in the early 1930s. Revolutionary changes have occurred since then. The legal framework has not kept up with those changes, and as a consequence the banking industry is now struggling to maintain its ability to compete.

Clearly, technological innovation is one of the most powerful forces of change. Individuals can now shift their investments among a variety of money market instruments, equities, and bonds simply by using the telephone, and they have access to foreign and domestic markets. Multinational and large domestic corporations that formerly relied on commercial banks for their funds can now raise funds in the U.S. and Europe without any assistance from commercial banks. A senior officer of a major U.S. oil company reported after his company raised a half-billion dollars of medium-term funds directly in the market, that

> ". . . in looking back I don't recall that the thought of going in any of the old ways to commercial banks ever came up for serious discussion. Instead, . . . we sat a few people down with telephones and a small personal computer and sold out five- and seven-year IOUs simultaneously in the United States and Europe directly . . . I wonder whether as a bank customer [we] shouldn't have been able to borrow those funds more cheaply through some banking institutions that were continually in the market rather than the efforts of our own staff. . ."

Changing demographics have also reshaped the market. Greater numbers of two-income families have made convenience and the availability of one-stop shopping for a wide range of products increasingly important and attractive. And non-bank competitors have been there to fill that demand and reinforce its desirability. Traditional notions of customer loyalty to banks are disappearing.

As the population has aged, innovations in employee benefit plans have emerged. However, those plans, which are absorbing an increasing share of total savings, are typically administered by professional money managers who base their investment decisions solely on safety and expected return, with little concern for the type of institution in which those funds are placed. These professional managers as well as other traditional funding sources can now move funds into and out of a bank literally within minutes.

Changes in rules governing the operation of some markets have been an additional force reshaping the financial services industry. The end of fixed-brokerage commissions in 1975, for example, made possible the growth of discount securities brokers. The advent of SEC Rule 415, or "shelf registration," has made it easy for firms to meet their credit needs directly in the marketplace. The creation of federal and federally sponsored credit agencies such as GNMA, FHLMC, and FNMA has dramatically changed the way in which housing finance is provided.

For banks, one of the biggest single changes has been deregulation of interest rates paid on deposits. Higher rates for savers have meant higher-cost funds at most banks. In 1970, nearly all of the liabilities of a typical bank were in demand deposits or other accounts subject to a fixed-rate ceiling. By 1980, demand and other fixed-rate deposits had fallen to 64 percent of liabilities, and in 1984, the figure was less than 18 percent. Additionally, state laws are changing rapidly, expanding the opportunities for direct competition among banks, insurance companies, and real estate firms.

Finally, economic changes have altered the market environment. The accelerating inflation of the 1970s and extraordinarily high and volatile interest rates heightened consumer awareness of yields and stimulated the introduction of a number of new financial instruments. Adjustable-rate mortgages, zero-coupon bonds, interest rate swaps, money market mutual funds, open-ended home equity lines of credit — each has been introduced in response to new customer demands brought about by the changing economic environment.

Practical Effects of the Glass-Steagall Act

It is within the context of 50 years of change that consideration of amending Glass-Steagall should take place. As noted earlier, one of the basic objectives of Glass-Steagall was to prohibit banks generally from underwriting private securities (*e.g.*, bonds and equities) and to prohibit securities firms from accepting deposits. In simple terms, it was intended to keep the two industries separate and out of each other's markets.

The evidence leads me to conclude, however, that while the Act is falling far short of its goal of keeping investment banking firms from performing commercial banking functions, it has been quite successful in keeping commercial banks out of investment banking. It is not surprising, therefore, that, to the best of my knowledge, the securities industry has never lobbied Congress for relief from Glass-Steagall so that it could acquire banking powers — it already has them.

As noted earlier, securities firms are providing the functional equivalent of interest-bearing checking accounts to their customers. Although securities firms are prohibited from offering demand deposits, the high interest-rate environment of the late 1970s, coupled with restrictions that prevented banks from offering market-rate deposits, led to the development and wide marketplace acceptance of money market mutual funds (MMFs). While MMFs are technically not deposit accounts, they represent ownership interests in a pool of highly liquid, low-risk, money market securities. Because shares can be redeemed by writing checks, the practical effect to the customer is a market-rate substitute for a bank checking account.

The broad market acceptance of MMFs is clear; there are almost $200 billion in retail MMF accounts. By combining the transaction services of MMFs with other credit and asset management services, Merrill Lynch has garnered over $27 billion in MMFs associated with its Cash

Management Account and an additional $16 billion in other retail MMFs. If Merrill Lynch were a bank, based on its CMA money fund balances alone it would be the nation's 11th largest. This success is possible only because the product satisfies a market demand — one that the commercial banking industry could meet if only it were clearly permitted by the law. The development of products such as the CMA is obviously good for consumers, but it does signal the extent to which traditional banking markets are being eroded by the securities industry.

Similarly, the spectacular growth of the commercial paper market has severely reduced the share of short-term commercial credit held by commercial banks. In 1965, commercial banks held more than 87 percent of the credit to nonfinancial domestic corporations. By 1975, the share was 79 percent, and in 1984 it was less than 70 percent. Underwritten by investment banking firms, the commercial paper market offers top-rated corporate borrowers direct access to capital markets for obtaining short-term credit. From 1975 to 1984, commercial paper outstanding grew at an annual rate of 22 percent. Over the same period, bank corporate lending grew at a 12-percent annual rate.

Clearly, Glass-Steagall has not prevented investment bankers from entering what was once the domain of commercial banks. The provision of short-term credit to the corporate sector was a near-exclusive function of commercial banks when the Glass-Steagall Act was passed. It is now shared with the investment banking industry and those to whom it sells commercial paper.

The effect of Glass-Steagall on banks has been quite different. With limited exceptions, banks do not have clear authority to underwrite securities. This has had the practical effect of limiting banks' ability to offer hybrid products to compete with those offered by securities firms. Moreover, it has impeded the development of a secondary market in commercial and consumer loans, thereby limiting the opportunities for banks to diversify their portfolios and leading them to hold much less liquid portfolios than they would hold in the absence of Glass-Steagall. Moreover, Glass-Steagall has made it difficult for them to maintain credit relationships with the highest quality commercial borrowers. Attributing the plight of banks to one law may seem extreme, but in point of fact, it is not. Let us look at how Glass-Steagall constrains banks.

Under current law, a bank can diversify its loan portfolio through loan participations. Loan participations, however, currently are limited to interbank commercial lending transactions and tend to be available only in relatively large denominations. They have a limited number of potential acquirers, and acquiring banks must receive and analyze extensive documentation associated with each participation. As a practical matter, these features limit the usefulness of loan participations as a means of diversification.

Uncertainty about the proper interpretation of Glass-Steagall has retarded the development of other means that would enable banks to diversify and increase the liquidity of their loan portfolios. Banks have successfully issued securities backed by mortgages, and more recently have issued securities backed by credit card receivables. It is difficult, however, for a broad market for commercial loan sales and purchases to develop because of the uncertainty generated by a statute enacted over 50 years ago. A broader market would be based on securities available in small denominations, widely accepted in a secondary market, and freely transferable among commercial banks and other investors. Such a development would make it easier for smaller banks to diversify their loan portfolios and would add liquidity to the commercial lending market, much as mortgage-backed securities have enhanced the liquidity of the housing-finance market.

Equally, if not more importantly, commercial banks are seeing an erosion of their best loan markets and at the same time are facing serious obstacles in their attempts to enter new markets. Because top-quality corporate borrowers are, for purely economic reasons, increasingly relying on the commercial paper market for their borrowing, and because commercial bank participation in that market is limited by Glass-Steagall, bank loan quality is suffering. For example, in 1985, the average ratio of net loan losses to gross loans for all commercial banks was 1.3 percent, more than three times higher than the loss rate that prevailed in the late 1970s. Surely, the authors of Glass-Steagall did not intend that it promote the flight of high-quality borrowers from our nation's banking system.

Commercial banks have been seeking various means to maintain their relationships with major corporate borrowers, but have been frustrated in these attempts. Members of the securities industry have established and guarded a preeminent, highly concentrated competitive position in the commercial paper market. When a major bank took steps to retain an important segment of its traditional customer base through the unremarkable device of entering that market as an agent for credit market participants, the securities industry sued on the basis of the Glass-Steagall Act. Thus far, the securities industry has successfully blocked banks' efforts to provide those sought-after lending services to their corporate customers.

Similarly, several commercial banks have tried to offer to their individual retirement account cuustomers collective trust vehicles. The form of those vehicles is permissible under existing employee benefit legislation, and it merely expands the range of permissible fiduciary services that banks have, for generations, offered to their customers.

Again, however, the securities industry has sought to limit the availability of these lawful services by raising old legislative specters. It cites the "hazards" that the Congress purportedly legislated out of existence in the Glass-Steagall Act but that have little relevance in the sophisticated, integrated financial markets of today. The only genuine break-through in the securities area that banks have gained in the face of Glass-Steagall has been discount brokerage. The opportunities here are rather limited, at least at the present time, due primarily to challenges by the securities industry. In practice, bank discount brokerage services are largely limited to taking and filling buy-and-sell orders. When compared to the moves securities firms have made into commercial banking, discount brokerage represents a decidedly minor opportunity for banks. Moreover, unless the Supreme Court reverses a recent holding of the D.C. Circuit Court of Appeals, banks may be limited to providing those services only at branch locations. This would, for practical purposes, make the banking industry's gain a Pyrrhic victory.

Bank Performance Has Suffered

Thus, the Glass-Steagall Act has weakened the banking system in many ways. It has reduced the ability of the banking industry to liquify assets, diversify its loan portfolios, and continue to provide credit services to high-quality borrowers. In addition, banks are limited in their ability to develop new income sources through the offering of new products, which is vital to achieving a diversified income stream and necessary to continuing to meet customers' needs.

Banks must be given the opportunity to adjust to the changing environment. The average return on assets (ROA) for the 4,500 community banks (less than $300 million in assets) with federal charters has declined in each of the past six years. Over the past six years, the percentage of all national banks with losses has increased five-fold, while the percentage of banks with high earnings (defined as an ROA over 1.5 percent) has fallen by more than a third. While many of the regional and multinational banks have recently reported rising profits, much of the surge in income is the result of trading profits, securities gains, and asset sales. Moreover, lingering loan problems at many of the large banks will continue to place downward pressure on the profitability of their loan portfolios.

Commercial banks have also experienced declines in their market share. For example, in 1982, 23.5 percent of all private-sector lending was done by commercial banks. Last year that figure was only 16.1 percent. For the largest multinational banks, income from lending comprised only 64 percent of first quarter operating income this year compared to 75 percent of income in 1982.

Unless steps are taken to give banks the authority to diversify their assets and to restructure their products and services in line with changing demands, those trends will continue. The result will be a slow, but steady erosion in the strength of the commercial banking system.

Concerns Regarding Amending Glass-Steagall

I am aware of the standard arguments raised in opposition to proposals to break down the barriers between commercial and investment banking. These include the need to guard against the potential for conflicts of interest and concentrations of economic power, to protect customers, and to avoid endangering bank safety and soundness.

Many of the perceived problems associated with linking commercial and investment banking are a legacy from the conditions under which Glass-Steagall was passed. Although studies have consistently demonstrated that the securities activities of banks had little, if anything, to do with the collapse of the banking system in 1933, certain abuses in the financial markets did exist.

However, the abuses were by no means confined to the activities of commercial banks. Moreover, the differences between the legal framework of today and that of 1933 are vast. The Glass-Steagall Act was just one of many initiatives of the 1930s. Others included the provisions of the Banking Act of 1933 that established federal deposit insurance and strengthened the Federal Reserve System, including adding a new section 23A to the Federal Reserve Act that imposed limitations on a member bank's transactions with its affiliates. Still more concerns were addressed in the Securities Acts of 1933 and 1934 and the Banking Act of 1935. Additionally, since that time, federal and state supervision of banks has been substantially broadened and improved, bank regulators have gained and exercised significant enforcement authority, and bank disclosure requirements have been greatly enhanced. In short, there has been a veritable revolution in the legal and supervisory framework governing banks and the securities markets, making any notion that blending commercial and investment banking activities would signal a return to the 1930s simply farfetched.

Substantive concerns can be largely addressed through existing regulatory vehicles. It would be a mistake to assume — as Congress did in 1933 — that broad categories of securities activities are inherently too "risky" or fraught with "hazards" and should be flatly prohibited for banks. Rather, as with any banking activity, we simply must ensure that the activities are conducted in a safe and sound manner. Indeed, the legal mechanisms already exist, in large part, to do just that. Let me cite a few examples.

Conflicts of interest. The potential for conflicts of interest exists in most businesses, including both investment banking and commercial banking. A variety of existing controls have successfully limited the exploitation of such conflicts, and would continue to do so in the event of Glass-Steagall liberalization. These controls include the securities laws and regulations, the federal antitrust statutes, and our own controls on bank transactions with affiliates, which address conflicts of interest through prohibitions against and penalties for specific practices and through requirements for pertinent and timely disclosure. There are also state and federal fiduciary requirements in place. Finally, there is ample economic discipline in the form of reports by rating agencies, competition, and the all important perception of the marketplace, that works against abuses.

Economic concentrations. In my experience, markets without arbitrary barriers to entry are rarely characterized by unacceptable concentrations of power. It is perhaps not surprising that the securities industry, which derives substantially greater market protection from Glass-Steagall than do banks, is significantly more concentrated than the banking industry. The removal of current barriers to market entry offers the surest guarantee of continued strong competitive practices in the financial services marketplace. And, in any event, the antitrust laws will prevent any undue market concentration.

Protection of bank customers. The protection of customers purchasing securities services is currently addressed by the securities laws and regulations. These are important laws and should continue to apply to any provider of securities services, including banks. This approach, in addition to providing ample customer protections, will help ensure competitive equity among providers.

Riskiness of securities activities. Finally, there exists the belief that some of the activities proposed are simply too risky for banks. Because the ability of banks to accept federally insured deposits and to provide access to the payments system makes them special, the argument goes, they cannot be allowed to take on additional risks, and therefore, should be prohibited from conducting new activities.

This is an important concern. As the primary supervisor of national banks, I have a duty to see that they are operated in a safe and sound manner. However, it is ironic that Glass-Steagall prohibitations are supported in the name of bank safety and soundness when those very prohibitions have caused the level of risk in the banking system to increase.

As I discussed earlier, the Glass-Steagall prohibitions have resulted in banks losing a significant share of their high-quality borrowers to securities firms, other nonbanking companies, and to the marketplace itself through direct financing. They have prevented banks from achieving needed liquidity through loan sales, and have made it difficult for banks to diversify their assets. They have also prevented banks from diversifying their income sources through the offering of new, low-risk products and services.

Even more ironic, our review of the literature suggests that the risk of securities underwriting is low and very manageable, and certainly lower than the risks associated with many types of commercial bank lending activities. It has been well demonstrated that due to the short holding periods and high degree of liquidity of corporate underwritings, this activity is far less subject to losses than is commercial lending. Moreover, what losses do occur are quickly identified and measured — a benefit to the customers, the owners, and the regulators. No doubt, for these reasons, many other countries have not found it necessary to prevent their banks from combining investment and commercial banking businesses. And, in fact, U.S. banks are able to enagage in full-scope securities activities in foreign markets.

It is worth noting that U.S. commercial banks already have substantial experience in the underwriting of U.S. government securities, certain municipal securities, and Euromarket securities. Banks have demonstrated competence in these activities, and we see no reason why they would not fare as well in the underwriting of municipal revenue bonds and corporate securities. It is ironic that banks cannot underwrite corporate debt, but they can issue letters of credit to back up the corporate debt, and thus take the bulk of the risk.

Finally, it should be reiterated that bank supervisors will continue to assess the risks banks take and require safeguards and corrective actions when appropriate. Moreover, the current regulatory structure contains significant protections against the possibility that banks may abuse their credit facilities to promote securities activities. Not only is the use of credit in the purchase and sale of securities limited by margin requirements, but federal banking statutes effectively limit bank loans to affiliates and concentrations of credit. Relaxation of Glass-Steagall does not mean relaxation of bank supervision.

Conclusion

Substantial evidence and support exist for modification of Glass-Steagall prohibitions. Arguments against doing so tend at best to be based on misguided notions of how to promote the safety and soundness of the banking system, and at worst to be clear attempts to limit competition in the broad market for financial services. That those arguments continue to be accepted when the banking industry is suffering from loan concentrations, dwindling income sources, and deteriorating loan quality is of serious concern to me. I urge the Congress to amend the Glass-Steagall Act to remove those prohibitions that prevent greater competition between commercial banks and securities firms.

Remarks by Janice A. Booker, Director, Customer and Industry Affairs Division, before the South Carolina Bankers Association's Community Reinvestment Act Conference, Columbia, S.C., April 30, 1986

"CRA: A Regulator's Perspective"

Last week, the Comptroller, his Policy Group and key staff held a meeting with 34 key national organizations representing consumer, community, small business and government organizations. The combined memberships of these groups represent over 20 million people throughout the country, many of whom are bank customers. Chief among their concerns was CRA.

CRA is a timely topic in banking today and will probably continue to be in the foreseeable future. Therefore I would like to answer three questions:

- How does the OCC view CRA?
- How can banks enhance their CRA performance records?
- Why do we believe the emphasis on CRA will continue?

How Does the OCC View CRA?

From the bank regulators' point of view, our concerns include ensuring the safety and soundness of the banking system and a high level of compliance with banking laws — including CRA.

In passing the CRA Congress legislated that:

1) Regulated financial institutions are required by law to demonstrate that their deposit facilities serve the convenience and needs of the communities in which they are chartered to do business.

2) That convenience and needs of communities includes the need for credit services as well as deposit services. This is why the issues of basic banking services, fees and services charges, etc. are now being raised by consumer and community groups under CRA. And,

3) Regulated financial institutions have a continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered.

The CRA requires the OCC, along with the other federal financial supervisory agencies, to use its authority when examining financial institutions to encourage banks to help meet the credit needs of local communities in which they are chartered, consistent with the safe and sound operation of the banks.

We recognize that a bank's success over the long term depends on its responsiveness to its customers and its community.

As part of our examination, we assess a national bank's record of meeting the credit needs of its delineated community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the bank.

During 1985, all multinational banks received targeted CRA examinations. Our district offices determine the frequency of compliance exams for all other banks, including CRA exams.

A bank's CRA record of performance is determined during the examination, and is taken into account in our evaluation of a bank's corporate application for a deposit facility.

Additionally, our Rules, Policies and Procedures for Corporate Activities (12 CFR Part 5) allow any person or organization to submit written comments and other data to the OCC on an application regarding a bank's CRA record of performance.

In 1985, the OCC received CRA protests against two national banks' corporate applications. Approximately 21 other CRA challenges were submitted to the Federal Reserve Board regarding bank holding company applications, 17 of which involved subsidiary national banks' CRA records of performance.

Beyond the examination focus, the OCC also maintains an active program, through the Customer and Industry Affairs Division, to inform interested national banks about successful community programs banks are involved in. These programs provide options for banks interested in considering varied approaches to meeting local community credit needs.

The Customer and Industry Affairs Division serves as a catalyst to identify timely community development strategies and seek ways to bring this information to bankers, bank customer groups and other interested parties through conferences, publications, etc. Last June we held a national conference "The Changing Shape of Retail Banking: Responding to Customer Needs" with almost 250 banker, bank customer and agency participants. The presenters were drawn from banks, bank customer groups and our agency. Many of the areas related to CRA were discussed by bankers and community participants.

We manage the OCC's community development corporation (CDC) program which permits national banks to make investments in an already established non-profit development corporation or establish a *de novo* CDC as a subsidiary of the bank, provided it meets our guidelines for such investments, including public purpose ones.

We seek opportunities to work with banking organizations, such as the ABA and CBA, and we maintain regular liaison with bank customer organizations.

We recently worked with the ABA on its Branch Closings Manual and also held meetings jointly with our six districts for bank customer groups during 1985. Summaries of those district meetings are available from our office.

How Can Banks Enhance Their CRA Performance Records?

We still believe that the 12 assessment factors contained in the CRA Regulation (12 CFR 25.7) are the best guidelines to use to review your bank's CRA performance because they include what our examiners use in their examination and what community groups use when formulating a challenge.

A positive approach to CRA, one that does not need to raise the spectre of "credit allocation" or result in undue delays in the processing of applications, does mean that many banks should be more attentive to CRA.

Based on meetings that we have held with community, consumer, small business and government groups and a review of all known CRA challenges and agreements in 1985, the following appear to be the most common criticisms:

- Alleged failure of banks to meet with local groups in order to help determine local credit needs;
- Alleged poor lending records and lack of affirmative marketing efforts of banks in lower income and minority areas; and
- Alleged lack of bank participation in public financing programs for housing, small business and community development.

I've compared these allegations with the recent CRA agreements entered into by banks or their holding companies and the outcome can be grouped into three categories by CRA assessment factors.

Determining credit needs and marketing efforts: This factor assesses activities conducted by the bank to determine the credit needs of its community, including the extent of the bank's efforts to communicate with members of its community regarding the credit services provided and the extent of the bank's marketing and special credit-related programs. Some questions you might ask to help improve bank performance are:

1) Has your bank conducted any studies regarding local credit needs?
2) Has your bank communicated regularly with private and neighborhood organizations as well as other community members regarding what credit services the bank provides?
3) Has your bank reviewed the local government's Community Development and Housing Assistance Plan?
4) Has your bank established working relationships with realtors who service low- and moderate-income areas or do targeted advertising in neighborhood newspapers to reach those areas?
5) Has your bank considered offering basic banking services?

Participation in local community development and redevelopment projects: This includes investments as well as technical expertise. Such projects or programs might include HUD's Community Development Block Grant Program, financing for local development corporations (including CDCs), Neighborhood Housing Services, or working with state and local economic development and downtown revitalization agencies or public/private entities.

Participation in governmentally insured, guaranteed, or subsidized programs for housing, small business or small farms: These programs include FHA/VA/FmHA mortgage loans to community members; FHA Title I Home Improvement loans; SBA loan guaranty programs; and state and

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local special housing, home improvement and small business lending programs.

In almost all of the CRA Agreements thus far, banks have agreed to:

- establish community affairs functions to conduct community outreach, coordinate charitable contributions and provide technical assistance to local groups;
- increase participation in public financing programs for housing, small business and community development;
- conduct more active marketing programs in low- and moderate-income and minority communities;
- increase mortgage lending in low- and moderate-income and minority areas; and
- develop basic banking services.

Why Do We Believe the Emphasis on CRA Will Continue?

Finally, we believe that the emphasis on CRA will continue for some time.

The emphasis by the Administration and Congress is to continue reducing federal spending. Continued cuts in federal programs designed to meet the housing, community and economic development needs of low- and moderate-income communities will intensify community group interest in obtaining private sector involvement.

Additionally, many state and local programs are being restructured to require private sector matching funds and banks are being approached to help fill the gap.

Community and consumer groups concerns about increased bank fees and service charges in recent years has stimulated these groups to form major coalitions to address these issues. They are becoming a strong voice on such issues as basic banking services to, in their view, allow low- and moderate-income persons to obtain banking services or continue to be bank customers.

Further, four states (Maryland, Minnesota. Michigan and the District of Columbia) have passed interstate banking bills which have CRA-related provisions. It is also expected that consumer and community groups will push for enhanced CRA requirements in any banking legislation on the national level.

Nationally, in 1985 there was a five-fold increase in CRA protests and agreements calling for more aggressive bank action. This activity is occurring in all OCC districts, although the Southeastern District has had the most actions (7 of 22) involving banks and holding companies.

Conclusion

In conclusion, we believe that the regulators, banking organizations, and bank customer organizations should continue to use every opportunity to work jointly to address CRA related issues.

We also believe that serious attention to the objectives of CRA can produce a positive environment for banks, an environment that stimulates profitable community lending opportunities and a positive image for a bank among key customer groups.

Steps taken by the South Carolina Bankers Association today to sponsor this conference are commendable and we applaud your efforts to try to identify and address reasonable alternatives to the issues raised by CRA.

Remarks by Robert L. Clarke, Comptroller of the Currency, before the "Challenges of Increased Regulatory Supervision" Conference at the Morin Center for Banking Law Studies, Boston University, Boston, Massachusetts, May 2, 1986

I will assume today that everyone here is familiar with banking law. It would be arrogance for me to assume otherwise. I learned what arrogance is when I was a first-year law student and a third-year student told me how a Harvard professor prays: "Dear God," the professor's prayer runs, "please protect me from the sin of intellectual arrogance, which, for your information, means the following . . ."

Rather than running the risk of telling you what you already know, today I want to talk about the challenges of increased regulatory supervision as I see them. It seems to me that many people look at increased regulatory supervision for banking as something that is good in and of itself. Some of these people actually think that it is the job of regulators to control the day-to-day operations of banks. In my judgment, that is an improper conception. We do not — and should not — run banks. Instead we establish a framework of rules and regulations and, through the examination process, monitor the compliance of banks with those rules and regulations.

Some people think that when a bank fails, it is the fault of bank regulators. Just recently I received a letter from a banker who blamed us for a bank failure. These people need to realize that it is not our fault when a bank fails — we cannot keep a bank from failing — but we can and do help sick banks back to health.

Some of these people think that a bank examination serves the same purpose as an independent audit — but examinations were not designed to serve as audits; they were designed to monitor compliance with our rules and regulations, as well as loan quality.

Many of these people assume, I believe, that banking is a wild beast loosed upon the land, and that the public interest requires that this beast be caged — or at least put on a very tight leash — to prevent it from causing harm. I think that this assumption — this urge to impose the maximum in control — has worked at times to short-circuit our bank supervisory process.

What are the goals that process is intended to achieve? We seek a safe and sound banking system that promotes growth in the economy, that inspires public confidence in itself, and that meets the financial needs of the public. However, at times, regulatory policy — inspired by only the best motives — has inadvertently worked against the conditions we seek.

At times, the consequences have been dire.

Searching for an analogy that would shed some light on this pattern, I came across a term from the theater: dramatic irony. As I am sure many of you know, dramatic irony is a tragic reversal of what the participants in a story think and intend. Eve eats the forbidden fruit, expecting that the act will bring great happiness, but it brings great sorrow. Macbeth kills Duncan, thinking he will then achieve happiness; he later finds he loses all that makes life worth living. King Oedipus accuses the blind prophet of corruption, but later discovers it is he who is corrupt and blind.

As we can see, dramatic irony is based on misunderstanding. The dramatic irony of bank supervision is also based on misunderstanding. The misunderstanding is that we have the ability to control precisely the outcome of our regulatory policies.

In an effort to bring stability to the development of banking, the government, in 1863, established the national banking system. In an effort to control the development of banking — to rid it of what was then perceived as an unstable element — it taxed the bank notes issued by state banks in an attempt to drive them into the national banking system. What was the result? A great push was given to the use of demand deposits — which were not taxed. The growth of state banks exploded in the 1880s — precisely the opposite result of what lawmakers intended two decades before. This growth led to a banking system dominated by single-office banks — not necessarily bad, but quite different from the expected result.

Most of the regulatory restrictions on what banking can do today originated in Great Depression legislation, which in turn was triggered by the banking crisis of 1930. Observers then and analysts now believe the crisis prompted the public to lose confidence in the banking system. Two years ago, an economist at Rutgers University, Eugene Nelson White, published a reinterpretation of the origin of that crisis in the *Journal of Economic History*. The paper attributes much of the responsibility for the crisis to federal and state bank regulatory policymakers.

While he agreed with earlier analysts that both real and monetary factors forced the closure of banks, White argued that many of these banks were already significantly weakened by regulatory constraints, a factor that economists had overlooked. Regulation reduced the efficiency of the banking industry and increased its susceptibility to any real or policy-generated shocks, White wrote. For example, the pervasive restrictions on branching created thousands of small unit banks with relatively undiversified portfolios. The smallest and perhaps weakest banks — the ones hit hardest by the crisis — were in rural regions where low population density and very strict anti-branching laws prevented the growth of larger, more diversified intermediaries. Although these unit banks had become linked in the late nineteenth and early twentieth centuries to national money and capital markets, many remained heavily dependent on their local loan business, prospering or suffering with the farmers they financed.

White argued that a system of nationwide branching probably could have reduced or eliminated bank failures by establishing intermediaries with loan portfolios that were sufficiently diversified to manage regional risks. He concluded that mistaken policies or dislocations in different sectors of the economy may be blamed for the shocks that hit the banking system. However, the inability of the banking system to absorb these shocks may be attributed to what he called "debilitating" regulations that were imposed on banking.

What was the response to the banking crisis of the early 1930s? More regulation imposing more control. And what is the result today? I think that it is growing instability in the banking system. I think that this instability is reflected in the fact that we see some banks giving up their charters to become savings and loan associations — and some savings and loan associations are giving up their charters to become banks. Some highly regarded banks are considering giving up their charters altogether. What was once given as a valuable and competitive franchise is now considered by some to be a competitive disadvantage.

Because competitive and economic conditions — and technological developments — have evolved so dramatically in recent years, the consequences of long-standing restrictions on chartered banks have become severe. Or as Yogi Berra once said, "It's *deja vu* all over again."

The commercial banking system is becoming less profitable — both absolutely and relative to the risks banks assume. Commercial banks have also experienced declines in their market share. For example — in 1982 — 23.5 percent of all private sector lending was done by commercial banks. Last year that figure was only 16.1 percent. For the largest multinational banks, income from lending comprised only 64 percent of first quarter operating income this year, compared to 75 percent of income in 1982.

Product limitations restrict the services banks can provide to consumers and have made it difficult for banks to seek alternative sources of income as their traditional activities have become less profitable. The result has too often been a reliance on more risky lending or concentrations of credits as banks have sought to maintain an acceptable level of profitability. The trend of lower profitability is evident at banks of all sizes. Although the majority of the banking industry continues to generate adequate earnings, there is a growing minority of commercial banks with earnings that can only be characterized as poor.

A few bank performance statistics illustrate profitability trends: The average return on assets for the 4,200 national banks with assets of less than $300 million declined in 1985 for the sixth consecutive year. These are community banks with national charters. In 1980, the average ROA for these banks was 1.13. In 1985, it was 0.53. Even the median ROA fell for this group, demonstrating the scope of the earnings pressure. More than one quarter of national banks with assets of less than $25 million lost money in 1985. Furthermore, in recent years the percentage of banks with high earnings — a return on assets in excess of 1.5 percent — has fallen. In 1980, 21.6 percent of all national banks had an ROA of more than 1.5 percent. In 1985, only 13.4 percent of national banks had high earnings. In 1980, 3 percent of all national banks experienced losses. In 1985, 16.2 percent of all national banks did. And only one-third of the national banks that reported losses in 1985 were agricultural or energy banks.

For national banks of all sizes and types, loan loss provisions as a percentage of assets are now two and one half times what they were in 1980. For the largest banks, taken as a group, earnings have been flat for the past six years, and several banks have had sizable losses. While many of the regional and multinational banks have recently reported rising profits, much of the surge in income is the result of trading profits, securities gains, and asset sales. Moreover, lingering loan problems at many of the large banks will continue to place downward pressure on the profitability of their loan portfolios.

As I said before, deteriorating asset quality is a key factor in the decline in earnings across the board, and that deterioration continues.

The *American Banker* reported earlier this week that asset quality deteriorated in the first quarter at most of the nation's 10 largest bank holding companies, despite generally higher overall earnings for these institutions.

We know that, in large part, banks are seeing an erosion of their best loan markets. Consider, for a moment, an example with which we are all familiar. Top-quality corporate borrowers are — for purely economic reasons — increasingly relying on the commercial paper market for their borrowing. Because commercial bank participation in that market is limited by the Glass-Steagall Act, bank loan quality is suffering. Industry representatives tell us that few, if any, companies rated higher than BBB are significant borrowers from commercial banks. Instead, they say that most high quality customers are now served by the investment bankers. In 1985, the average ratio of net loan losses to gross loans for all commercial banks was 1.3 percent, more than three times higher than the loss rate that prevailed in the late 1970s.

Surely, the authors of Glass-Steagall did not intend that it promote the flight of high quality borrowers from our nation's banking system.

But the dramatic irony is that is does promote this flight, and in so doing promotes the erosion of bank profitability. The dramatic irony is that a law intended to shore up the safety and soundness of the banking system is contributing greatly to the system's growing weakness. The dramatic irony is that by seeking total control — we risk losing any control — while maintaining the illusion that we are in control.

I see one ray of sunshine breaking through.

It is the growing awareness that something must be done to reverse the profitability and other declining trends we are seeing in banking — to reverse the slow, but steady erosion in the strength of the banking system. I think — to use the example I used above — that almost everyone here today expects that the Glass-Steagall separation of investment and commercial banking will be eased. There is no question in my mind that it will be eased. But I do have many questions — as a regulator — as to how it will be eased. My concern is that we will try to fashion regulatory supervision over a modernized banking system in such a way as to maximize our control over it.

We will again place the perception of a need for quantity of regulatory supervision above the need for increased quality of regulatory supervision. And that, I believe, would be a mistake. There are indeed challenges of increased regulatory supervision in regard to easing Glass-Steagall barriers. But I think these challenges are more in the nature of restraining the urge for total control, rather than fashioning an intricate and complex regulatory mechanism.

There are, as you know, standard arguments raised in opposition to easing the barriers between commercial and investment banking. These include the need to guard against the potential for conflicts of interest and concentrations of economic power, to protect customers, and to avoid endangering bank safety and soundness. Many of these perceived problems associated with linking commercial and investment banking are a legacy from the conditions under which Glass-Steagall was passed.

Although studies have consistently demonstrated that the securities activities of banks had little, if anything, to do with the collapse of the banking system in 1933, certain abuses in the financial markets did exist. However, the differences between the legal framework of today and that of 1933 are vast. The Securities Acts of 1933 and 1934; the Banking Act of 1933, including new section 23A of the Federal Reserve Act; the Banking Act of 1935; the addition of significant enforcement authority for bank regulators and greatly enhanced bank disclosure requirements have brought about a revolution in the supervisory framework governing banks and the securities markets. As a result, any notion that blending commercial and investment banking activities would signal a return to the 1930s is simply farfetched. It would be a mistake to assume — as Congress did in 1933 — that broad categories of securities activities are inherently too "risky" or fraught with "hazards" and should be flatly prohibited for banks. Rather, as with any banking activity, we simply must ensure that the activities are conducted in a safe and sound manner. The legal mechanisms already exist, in large part, to do just that.

Let's consider, for a moment, those mechanisms in regard to conflicts of interest, economic concentrations, protection of bank customers and the riskiness of securities activities.

A variety of existing controls have successfully limited the exploitation of conflicts of interest should Glass-Steagall be eased. These controls include the securities laws and regulations, the federal antitrust statutes, and our own controls on bank transactions with affiliates, which address conflicts of interest through prohibitions against — and penalties for — specific practices and through requirements for pertinent and timely disclosure. There are also state and federal fiduciary requirements in place. Finally, there is ample economic discipline in the form of reports by rating agencies, competition, and the all important perception of the marketplace, all of which work against abuses.

As for economic concentration, it is perhaps not surprising that the securities industry, which derives substantially greater market protection from Glass-Steagall than do banks, is significantly more concentrated than the banking industry. The removal of current barriers to market entry offers the surest guarantee of continued strong competitive practices in the financial services marketplace. And the antitrust laws will prevent any undue market concentration. Moreover, the protection of customers purchasing securities services is currently addressed by the securities laws and regulations. These are important laws and should continue to apply to any provider of securities services, including banks.

Finally, there is the argument that easing Glass-Steagall restraints would simply be too risky for the banks. Because of the ability of banks to accept federally insured deposits and to provide access to the payments system, the argument runs that they should not be allowed to take on additional risks, and should be prohibited from conducting new activities. But as I said before, the Glass-Steagall prohibitions have resulted in banks losing a significant share of their high-quality borrowers to securities firms, other nonbanking companies, and to the market itself through direct financing. The prohibitions have also prevented banks from achieving needed liquidity through loan sales, and have made it difficult for banks to diversify their assets. In addition, Glass-Steagall has prevented banks from diversifying their income sources through the offering of new services.

The dramatic irony we have found in our review of the literature is the probability that the risk of securities underwriting is low and very manageable, and certainly lower than the risks associated with many types of commercial bank lending. It has been well demonstrated that, because of the short holding periods and high degree of liquidity of corporate underwritings, this activity is far less subject to losses than is commercial lending. Moreover, what losses do occur are quickly identified and measured — a benefit to the customers, the owners, and the regulators. U.S. banks already have substantial experience in the underwriting of U.S. Government securities, certain municipal securities, and Euromarket securities. Banks have demonstrated competence in these activities, and we see no reason why they would not fare as well in the underwriting of municipal revenue bonds and corporate securities.

Is there any logic in a system which allows U.S. banks to engage in wide-ranging securities underwriting activities in their foreign operations, but not in their home country? Or in a system which prohibits banks from underwriting corporate debt, but allows them to issue letters of credit to back up that corporate debt, and thus take the bulk of the risk? The answers to these questions have to be no — and that suggests to me that Glass-Steagall is all that is has been cracked up to be — a dead letter of the law. Arguments against easing Glass-Steagall prohibitions are, at best, based on misunderstanding of how to promote the safety and soundness of the banking system.

As this misunderstanding, this urge to total control, has led to dramatic irony throughout the history of banking supervision, it continues to do so today.

That those arguments continue to be accepted when the banking industry is suffering from loan concentrations, dwindling income sources, and deteriorating loan quality is a source of amazement — and serious concern — to me. I believe that it should be of concern to you — perhaps professionally — but certainly in your role as members of a public significantly affected by the conditions in the banking world.

Statement of Robert L. Clarke, Comptroller of the Currency, before the House Subcommittee on Financial Institutions Supervision, Regulation, and Insurance of the Committee on Banking, Finance, and Urban Affairs, Washington, D.C., May 8, 1986

Mr. Chairman and members of the Subcommittee, I welcome this opportunity to present my views on H.R. 4701, a bill that would amend the emergency acquisition provisions of the 1982 Garn-St Germain Act.

Today I would like to discuss the need for additional flexibility to enable bank supervisors to deal more effectively with weakened banks. The bill, which is the subject of these hearings, is designed to provide that flexibility.

Need for Additional Flexibility

It is no secret that a number of banks are experiencing financial difficulty. I recently testified before this Subcommittee on the problems facing national banks that have exposures to weakened sectors of the economy. Currently, there are nearly 300 national banks on our problem list (banks with a CAMEL rating of 4 or 5), an increase of almost 400 percent over yearend 1983. Almost 75 percent of these banks are located in the Midwest and Southwest, areas that have been especially hard hit by downturns in the energy industry, the agricultural industry, or both.

It is an unfortunate fact that the current high rate of bank failures is expected to be with us for some time — at least under our present system of dealing with bank failures. It is therefore more important than ever before that we deal with each failure in a way that minimizes any disruption in the provision of banking services to the community, the potential for a decline in public confidence in the banking system, and its cost to the Federal Deposit Insurance Corporation (FDIC). The acquisition of a troubled bank by a stronger institution is often the solution that minimizes the adverse effects that can result from the failure of a bank.

It is important to recognize, however, and it is perhaps not a coincidence, that almost two-thirds of the problem banks are in unit banking states or states that otherwise limit branching. Such restrictions limit the number of in-state options for the acquisition of failing banks and reduce the number of bidders for failed banks, making is more difficult for the FDIC to arrange purchase and assumption transactions. If a purchase and assumption cannot be arranged, the FDIC must choose between liquidating a failed bank and paying off its depositors or propping it up with FDIC-provided capital.

Our Office, the Federal Reserve Board, and the Federal Deposit Insurance Corporation believe that expanding the number of potential acquirors of weak banks and removing some of the constraints on out-of-state purchasers of these banks will enhance our ability to resolve weakened bank situations in an expeditious, least-cost manner. The three agencies have collaborated on drafting legislation that would provide us with those tools by amending the emergency acquisition provisions of the 1982 Garn-St Germain Act. The Administration has completed its review of this legislation. Mr. Chairman, I can report to you that the Administration strongly supports H.R. 4701. I will now turn to the primary features of our proposal.

Provisions of the Bill

The proposed legislation would amend the emergency acquisition provisions of the 1982 Garn-St Germain Act in four important ways. First, the bill extends the emergency acquisition provisions to authorize out-of-state commercial banks to acquire weakened banks before they fail. The current law requires that a commercial bank be closed before an out-of-state purchaser can be sought. Second, the bill defines banks that have at least $250 million in assets as eligible for emergency acquisitions.

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Currently, only institutions with at least $500 million in assets are eligible. Third, the bill extends the emergency acquisition provisions to bank holding companies with a subsidiary bank or banks in danger of closing. Fourth, the bill provides limited expansion opportunities for out-of-state holding companies that acquire troubled institutions. The bill also provides for out-of-state acquisitions of failing banks in instances where no FDIC assistance is involved.

Expanding eligibility to failing banks. Authorization of out-of-state acquisitions of weakened institutions before they fail would expand the FDIC's options for dealing with those banks. A bank that is still operating is more likely to attract favorable bids than is a closed bank because the open bank's value as an ongoing business can be preserved. Consequently, we expect that a smaller commitment of FDIC funds would be required to resolve the situation. Moreover, reducing the total number of bank failures would help maintain the stability and confidence in the banking system as a whole.

The bill establishes three criteria, any one of which would be sufficient to declare an institution in danger of closing, and it would be up to a bank's primary supervisor (the state bank supervisor in the case of a state bank; the OCC in the case of a national bank) to determine whether it meets any of the criteria. The first two are that in the absence of federal assistance, the bank is not likely to be able to meet the demands of its depositors or pay its obligations as they become due (so-called liquidity insolvency), or that the bank has incurred or is likely to incur losses that will deplete substantially all of its capital and cannot be expected to replenish its capital (so-called capital insolvency). The third criterion is the existence or likely existence of any other grounds for closing a bank that are provided for in state law.

Lower size threshold for eligible institutions. Making banks with fewer than $500 million in assets eligible for the emergency acquisition provisions of the Garn-St Germain Act will enhance the FDIC's ability to arrange for the purchase and assumption of mid-sized banks. There are only a limited number of banks in any one state that are large enough to safely purchase another large or mid-sized bank in danger of failing. Because banks play an important role in the economic life of their communities, we believe that it is critical that the FDIC have maximum flexibility in resolving any problems they experience.

Unfortunately, the sectoral problems affecting entire states, and the concentration of troubled banks in those states, increase the likelihood that it will be difficult to find strong in-state institutions willing to rescue weak institutions without substantial financial assistance from the FDIC. Thus, in the absence of alternative solutions, such as out-of-state acquisitions, it is likely that the FDIC will be forced to perform more liquidations and deposit payoffs, with a resulting loss in banking services to local communities. The bill would reduce the minimum threshold to $250 million in assets.

Extension to holding companies. The bill extends the emergency acquisition provisions to holding companies that have a subsidiary bank or banks in danger of closing if such bank or banks have assets of at least $250 million and hold one-third or more of the total assets of the holding company's bank subsidiaries. In addition to allowing the acquisition of these failing banks, the bill permits an out-of-state purchaser to acquire some of the holding company's other bank subsidiaries or the entire holding company. It would not, however, permit FDIC assistance to be provided to nonbank subsidiaries of the holding company.

This addition to the law will facilitate emergency acquisitions in states that prohibit branching but allow multi-bank holding companies. Under current provisions of the Garn-St Germain Act, an out-of-state bank holding company that acquires a troubled institution is not permitted to acquire other banks in that state. Thus, potential acquirors are deterred by the prospect of being limited to a single office location and purchasing what is, quite likely, the most troubled part of the holding company.

Moreover, if the troubled bank is the lead bank of the holding company, stripping it out of the holding company could affect the safety and soundness of the smaller affiliate banks in the holding company. Similarly, breaking up the holding company could have disruptive effects on the local community and the banking system. The proposed change would mitigate these problems by allowing the entire holding company to be acquired.

Additional expansion opportunities. The bill authorizes out-of-state bank holding companies that acquire a troubled institution to acquire, at any future time, additional banks located in the three largest metropolitan areas, consolidated metropolitan statistical areas, or cities in the state in which the acquired troubled bank is located. This amendment reduces, but does not eliminate, some of the competitive disadvantages that out-of-state acquirors face relative to in-state holding companies. Without at least some opportunities for expansion, out-of-state companies do not have much incentive to bid for a troubled bank in unit banking states.

Unassisted acquisitions. In addition to making these four changes to the 1982 Garn-St Germain Act, the bill introduces another concept: it amends the Douglas Amendment of the Bank Holding Company Act to provide for out-of-state acquisitions of failing banks in instances where no FDIC assistance is involved. This would encourage weakened institutions to find private solutions to their problems before those problems reach a stage that demands federal financial assistance, further reducing potential demands on the FDIC's resources.

The size thresholds for the unassisted out-of-state acquisitions would be the same as for FDIC-assisted acquisitions. Likewise, the provisions dealing with the acquisition of the holding company and its healthy banks, as well as subsequent expansion rights would be similar to the provision made for assisted acquisitions.

Recognizing the possible concerns of states regarding out-of-state acquisitions, the bill provides the state banking supervisors with a significant role in these transactions. First, the bill, in effect, requires that the target bank or bank holding company exhaust all in-state alternatives before seeking a potential out-of-state acquiror. Second, the state supervisor may effectively veto a proposed out-of-state acquisition by demonstrating that there exists a willing in-state purchaser with sufficient financial and managerial resources to acquire the bank or bank holding company. This will prevent shareholders of a weakened institution from realizing a windfall gain attributable solely to the institution's eligibility for acquisition by an out-of-state purchaser. This approach gives states the opportunity to find their own solutions when banks are in danger of failing. Where no in-state solution is available, it facilitates the use of out-of-state sources of capital.

Specific Concerns

Mr. Chairman, in your letter of invitation you asked some specific questions to which I will now turn.

First, you asked for our estimate of the number of banks that currently qualify under the bill's definition of an institution "in danger of closing" and their location and asset size. As I noted earlier in this statement, our problem bank list contains nearly 300 national banks. I would emphasize, however, that a bank's appearance on the problem list cannot be construed as an indication that it is near a liquidity or capital insolvency. Rather, it indicates the presence of problems that demand close supervisory scrutiny.

Seventy-five percent of the 300 national banks on our problem list are located in the Midwest or Southwest. As you know, the agricultural sector of the economy, principally in the Midwest, involves a large number of smaller banks that have been adversely affected by a decline in the profitability of the agricultural industry. In the Southwest, hard hit by rapid declines in oil and gas prices, there is also a large number of banks, and among them are some very large institutions — several of which are among the top 25 in the country. Fortunately, most of these larger institutions are well-capitalized and during the past two quarters have established sizable reserves against the uncertainty surrounding the rapidly fluctuating prices of oil and gas. However, the likelihood of continued economic weakness in these areas leads me to conclude that the number of banks experiencing problems, and the number of bank failures, will remain high over the near term.

Regarding the size of weakened national banks, over 95 percent of the banks on our problem list have fewer than $250 million in assets. I believe that this argues for reducing the threshold even lower than the $250 minimum in the bill, in order to bring the benefits of expanded regulatory flexibility to the vast majority of those banks that would otherwise fail.

Second, you asked whether it is possible for a nonfinancial institution to avail itself of any of the provisions of H.R. 4701 in order to acquire an insured bank. H.R. 4701 does not address acquisitions by nonfinancial institutions. The purpose of this legislation is to remove those geographic restraints, such as the Douglas Amendment, that currently prevent out-of-state banks and bank holding companies from acquiring a depository institution that is in danger of closing.

Third, you asked us to comment on the antitrust implications of eliminating the post-approval waiting period in the event of bank holding company acquisitions. The Department of Justice has reviewed the legislation and supports it, including the changes to Section 11 of the Bank Holding Company Act, with the understanding that the legislation will be modified to provide that the Attorney General must concur in any reduction of post-approval periods to less than five days. In addition, the Department of Justice has suggested a clarifying change that would make it clear that antitrust laws continue to apply to acquisitions under this bill. We would be happy to work with the Committee staff to make those changes.

Finally, you questioned the provision of the bill that would allow institutions receiving FDIC assistance to qualify for out-of-state emergency acquisitions even after they, with FDIC assistance, have improved their condition so that they no longer are in danger of closing. We strongly support this provision. One of the objectives of this legislation is to manage bank failures and problem bank situations in a manner that would best use and conserve the FDIC's insurance fund. The out-of-state acquisition of a failing institution that is already receiving FDIC assistance would reduce costs to the FDIC.

Conclusion

Mr. Chairman, some have said that this bill would make an end run around the Douglas Amendment. I can state categorically that that is not the case. Nor is it an effort

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on our part to effect sweeping changes in the relative roles of federal and state regulatory agencies.

This bill is intended solely as a means of facilitating the resolution of failures and near-failures in the banking industry. We sincerely hope that we will never have to use the powers if they are granted. Indeed, the current emergency acquisition provisions of the Garn-St Germain Act have been invoked only infrequently. It appears to me, however, that we could better manage the problems posed by failing institutions if we had better tools to do that job. As a matter of fact, the mere availability of these tools may provide some stability to the banking system by reassuring depositors that there exists a means for achieving an orderly transition of the ownership of a troubled institution.

If these tools do have to be used, I believe that they would help minimize the disruption to the community, any loss in public confidence, and the cost to the FDIC insurance fund involved in resolving a weakened bank's problems. I therefore urge the Congress to give H.R. 4701 immediate consideration.

Remarks by Robert L. Clarke, Comptroller of the Currency, before the Boston Economic Club, Boston, Massachusetts, May 14, 1986

"Foward Into Reverse: Is This Where Banking Is Headed?"

When he was a student at Harvard, Robert Benchley — the famous humorist and writer for *The New Yorker* — took a course in international law. The final examination confronted him with this question: "Discuss the arbitration of the international fisheries problem with respect to hatcheries protocol and dragnet and trawl procedure as it affects (A) the point of view of the United States and (B) the point of view of Great Britain."

Benchley — who had not studied — was desperate. He began his answer this way: "I know nothing about the point of view of Great Britain in the arbitration of the international fisheries problem, and nothing about the point of view of the United States. Therefore, I shall discuss the question from the point of view of the fish."

As leaders in the Boston business community, all of you are familiar with the dramatic change that has happened in the financial services world over the last several years — change that promises to continue for many years to come. Some of you are familiar with the banking industry's perspective on this change, which involves deregulation, increased competition, and quickly-evolving technology. And some of you are familiar with the point-of-view of other financial service providers.

Today, I would like to discuss this change from a perspective you may not have considered — that of a federal official charged with maintaining the vitality of an important part of the financial services world: the nation's 5,000 national banks. These banks hold more than two-thirds of the assets in our nation's banking system. They range in size from most of the nation's major banks to hundreds of community-oriented banks throughout the country.

Recently, I happened across, what seemed to me, a striking parallel between what has been happening to the banking system and the plot of the bestselling novel, *Thinner,* by the master of horror, Stephen King. The plot of the novel is simple. The lead character is placed under a curse. Every day he loses weight, and with it, strength. The novel is the story of how he tracks down the man who put the curse on him — and how he convinces him to lift it.

No matter what size they are — or where they are located — the banks in this country supervised by the Office of the Comptroller of the Currency are likely to share one major problem: They are trapped in an industry that is becoming less and less profitable with each passing year — both in an absolute sense and relative to the risks banks assume. As a result, the system is losing strength. The bank charter — once valued as a competitive franchise — has become something of a curse because it restricts institutions that seek more profitable business. How significant is the decline?

Although the majority of the banking industry continues to generate adequate earnings today, a growing minority of commercial banks have earnings that can only be characterized as poor. Furthermore, the trend of lower profitability is evident at banks of all sizes. Even those banks that now have adequate earnings have, as a group, seen their profitability slide. Banking profitability is at the lowest level in 20 years.

Now what does "profitability" mean? Take the most popular indicator, return on assets. This measure is net income divided by average assets. But what that really means, over time, as I am sure all of you know, is efficiency. Return on assets measures the efficiency of the company. Is it sufficient to maintain growth and to keep stockholders happy?

We have seen this measure of efficiency decline drastically since 1979. There are two kinds of statistics. Those we look up. And those we make up. If we looked up the profitability statistics for banking, what would we find?

The average return on assets for the 4,200 national banks with assets of less than $300 million declined in 1985 for the sixth consecutive year. These are community banks with national charters. They represent 85 percent of the banks the OCC supervises. In 1980, the average ROA for these smaller banks was 1.13. In 1985, it was 0.53. The median ROA for this group also fell, demonstrating the scope of the earnings pressure. This decline in the average ROA was not merely the consequence of a few banks doing very poorly. Almost 40 percent of national banks with assets of less than $25 million lost money in 1985. Furthermore, in recent years the percentage of banks with high earnings — a return on assets of in excess of 1.5 percent — has fallen. In 1980, 21.6 percent of all national banks had a ROA of more than 1.5 percent. In 1985, only 13.4 percent of national banks had high earnings. In 1980, the average ROA for all national banks was 1.08. Last year it was 0.45.

The largest banks, taken as a group, have experienced flat earnings for the past six years. Several banks have endured sizable losses. At many of the large banks, lingering loan problems will continue to place downward pressure on the profitability of their loan portfolios.

While it is true that many regional and multinational banks have recently reported rising profits in the first quarter, much of the surge in income is the result of capital gains on government bond portfolios, bond trading profits, foreign exchange dealings, asset sales and service fees. In other words, this income came from sideshows to traditional banking. As the *Wall Street Journal* reported on the first quarter results: "Loan growth continued flat in the first quarter, profitability in big-time corporate lending remained dismal and loan losses rose sharply."

I do not wish to convey the impression that a large number of commercial banks are in financial difficulty at present. The number of banks, however, that are not generating adequate earnings is growing, as is the severity of their earnings problem. Their problems — I believe — reflect an underlying structural problem in the system. Banks are not in business to make loans. Banks are in business to make money. If they make money by making loans, fine. If they don't, they have to find a way to make money by doing something else.

If you look at banking from this perspective — as a business rather than an institution — there is no question that — across the board — banking — like the Stephen King character — is getting THINNER. We don't have to be prophets to see where this trend will lead, if it is allowed to continue. Clearly, the decline in bank profitability could be the root of a considerable problem in the future.

First of all, those institutions with alternative routes to profitability and growth will take them. Already, the business press has reported that one major, and highly respected, bank is considering giving up its charter to become an investment banking firm. If it does — and it is successful — without doubt others will follow. The idea has been discussed in theory for years.

On the other hand, what will become of those institutions without alternatives? Not too many years ago the thrift industry was limited to housing finance. Inflation skyrocketed and — lacking flexiblity to move into other, more profitable, lines of business — thrift institutions bled. Hundreds bled to death. And many today are "living dead" — still operating, but technically insolvent. The thrift charter also became a curse. It seemed to have its effect practically overnight.

A few years from now, I would hate to say that the banking system was in a weaker condition when I left the Office of the Comptroller of the Currency than when I entered it. I would hate to say it. But my concern is that I may have to say it because it may be true. As a bank supervisor, it is part of my job to look ahead. Like an ancient prophet, I try to interpret signs. While my earlier counterparts used the bones of animals and such devices, I have the advantage of statistics.

About two thousand years ago, the city fathers of the Roman town of Pompeii decided to ignore the Sybils from the local temple when they warned of imminent disaster and urged that the town be evacuated. The citizens of Pompeii were rationalists and reckoned that, with business just recovering from an earthquake a few years before, the last thing they needed was a scare story. The Sybils, however, followed their own advice and left town. They were the only survivors when, the next day, Mount Vesuvius erupted and buried Pompeii under a ten-foot layer of ash, taking thousands of people to their death.

As a bank supervisor, I see an omen — tremors in the banking system. The tremors tell me that things are not as steady and stable as they used to be. At this point, they don't indicate an eruption. They do, however, indicate an erosion. And that erosion is of concern to me.

Twenty years ago, banks supplied 85.4 percent of the short term credit needs of corporate business. Today, banking supplies only about 68 percent. Behind this quantitative decline is as significant a qualitative slide. The best loan markets of banks are eroding.

Top-quality corporate borrowers are — for purely economic reasons — relying increasingly on the commercial paper market for their borrowing. Industry representatives tell us that few, if any, companies rated higher than BBB are significant borrowers from commercial banks. Twenty years ago, the major banks of this country, for the most part, defined their business as lending to the carriage trade of the business world. Today, the carriage trade rides on the street — Wall Street. As a result, banks must take on greater risks in lending to other borrowers: borrowers who pose greater credit risks than the major corporations do.

As a result, the quality of bank loan portfolios — and bank earnings — has declined. What about the smaller banks — those with assets of less than $300 million? Here again we see a sharp decline. Their returns — median as well as average — indicate that national banks of this size are having problems across the country. We are quite aware of the problems in the Midwest and Southwest in agriculture and energy. But smaller national banks in other parts of the country are also experiencing a pervasive decline in asset quality.

One respected banking industry observer recently pointed out that: "Small banks are being victimized by the stubbornly high business failure rate and by th[illegible]wing tendency of consumers to default on mortgag[illegible]d on credit card loans. To be sure, not all small banks a[illegible] being affected. But a sizable proportion of banks — in the mid-Atlantic region and in the Northeast as well as in the Southwest — are in bigger trouble than they have been for years. And things could get a lot worse before they get better."

As a public official charged with ensuring the safety and soundness — the vitality — of the national banking system, I am concerned about these trends and where they may lead us. As members of the public — you should be concerned, too. I don't enjoy playing Cassandra. Cassandra, you know, was blessed in the knowledge of the future, but was cursed by no one believing her. Traveling around the country telling people the bad news is no fun. I would much rather deliver good news. But I don't believe — and I know you don't either — that it is reasonable public policy to let a major industry with a pervasive influence throughout the economy dry up slowly. Yet, that is exactly what the present policy toward banking is doing.

How should that policy be changed? Your experience here in Boston is a perfect model. Not just once, but twice in the last generation Massachusetts rebounded from what seemed overwhelmingly negative circumstances. At the end of the Second World War, the industries here were obsolescent. Yet the economy survived by evolving into a preeminent state in electronics and industry based on imaginative scientific research. By the early 1970s, you faced another time of troubles. Demand from the space and defense sectors for sophisticated electronics fell. By 1977, unemployment in Massachusetts had reached 13 percent. But once again, you recovered, through a turn toward diversified high-tech and toward high-grade services such as finance, law and consulting. It is an old story in Boston — from farming to fishing to the West Indian trade to the China trade to industry, education, administration and electronics — Boston changed with changing times, building a strong, diversified economic base.

To regain its strength, banking, too, must diversify — it must enter new lines of business that are more profitable than its traditional business. This is not a radical concept. It is what businesses have always done when faced with the problems banks face today. We need to look no further than across town for a sterling example of diversification in the financial services world: the John Hancock Mutual Life Insurance Company. For more than a century, John Hancock sold life and health insurance, and did very well. But over the last several years, the company has diversified into mutual funds, stock brokerage, tax shelters, realty services, pension fund management, leasing, financial planning, and just recently, consumer banking services, with access to an automated teller machine network with some 5,000 outlets across the country.

John Hancock can solve its long-term profitability problem by diversification — by entering other businesses that promise higher returns. It can even add banking services that bring with them a nationwide, electronic delivery system. On the other hand, banks can look at diversification as the answer to their profitability problem — but they can do little more than look. As I see it, diversification into new lines of business is the only answer to banking's profitability problem.

Upon examination, we will find that there are few, if any, lines of business that add to the risks banks already assume — and many would considerably balance those traditional risks. Therefore, I've recommended to Congress that the separation between commercial banks and investment banks created in the 1930s be eased.

Without diversification, shrinking profitability promises to grow from a nagging concern into the major problem of the banking system by the end of the decade.

Today we began with a story about Robert Benchley's answer to the final examination in his international law course. Unfortunately, Benchley flunked the course and did not graduate with his class at Harvard. He had a creative and innovative answer to the problem he was presented — but it wasn't the right answer. In the long run, it didn't matter. He found far more success, wealth and fame from the use of his imagination than a brilliant knowledge of legal technicalities in fishing rights would have brought him.

The right answer to the problem of declining profitability in banking will require creativity and innovation. We know what that answer is. We know how to keep banking from growing thinner. The problem must be faced, because in the long run our answer to it will matter a great deal.

Remarks by Robert R. Bench, Deputy Comptroller of the Currency, before the Bank and Financial Analysts Association, Washington, D.C., May 21, 1986

"U.S. Banks and LDC Debt: An Update"

Introduction

The nature and magnitude of banks' difficulties in lending to less developed nations remain as complex as when the debt crisis emerged 3 years ago. This does not mean that no progress has been made in handling international debt problems. In fact, the collective international debt strategy begun during 1982 has led to considerable progress in reducing banks' vulnerabilities from international loans, while restoring debtor countries' international reserves and overall liquidity.

As of December 31, 1985, the international loans in U.S. banks totaled $312 billion — 58 percent of those loans are held by the nine largest U.S. money center banks and 78 percent is held by our 24 largest banking institutions. About one-third of the loans, $99 billion, are to developing nations, $81 billion of which was owed by Latin American countries, especially Argentina ($9 billion), Brazil ($24 billion), Mexico ($24 billion) and Venezuela ($10 billion).

The problems of international debt developed over a long time and became critical because of a confluence of incorrect policies, not the least of which perhaps was an over-reliance by debtor countries on commercial bank medium-term, floating-rate lending as the principal source of external capital. Inherently, it will take some time to solve these problems. The debtor countries themselves have to adopt growth-oriented, long term economic policies such as those advocated by Secretary Baker in his call for a program of sustained economic growth. Only when debtor countries begin adopting these policies can they expect to receive appropriate assistance from commercial and multilateral financial institutions to support adjustment. However, any international debt strategy, no matter how well conceived, will have to contend with continual changes in the global economic climate, such as volatile energy prices, depressed commodity values, protectionism and interest rate levels.

Origin of the Problem

The global economy was forced to absorb oil price increases through most of the 1970s. The quadrupling of the cost of the fundamental factor of production in our modern world caused major dislocations in the U.S. and especially abroad. The sudden, massive financial surpluses accumulated by certain members of OPEC had to be intermediated or "recycled" to finance the importation, exploration, production, distribution, substitution, and conservation of energy all around the world. Indeed, much of the international syndicated lending during this period was probably energy related in some fashion.

That rush and need to finance led to a liberal international lending environment. There was overborrowing generally because funds were available at negative real interest rates. Money also was available on floating-rate terms which seemingly protected the lenders from interest-rate risk, albeit by passing that risk on to some borrowers who ultimately could not manage it. Inadequate data to monitor the volumes and nature of lending was an additional deficiency.

However, the key to the international debt problem was the inadequacy of domestic policies in some developing countries during this period. At a time when they needed to promote domestic savings and inflows of foreign or repatriated investment capital, they discouraged it. They operated with expansionary fiscal and monetary policies, price and interest rate controls, and overvalued exchange rates. This lack of discipline in domestic policy caused budget and balance of payments deficits which primarily could only be financed through borrowings from foreign banks on floating-rate commercial terms.

Finally, when tight monetary policies in the U.S. and other industrial countries in the late 1970s and early 1980s caused high interest rates and a prolonged global recession, it worsened the terms of trade for developing countries and depressed their foreign exchange earnings. At the same time, the countries' foreign exchange expenses soared to pay their suddenly higher interest payments on their floating-rate bank debt. Overall, this confluence of events plunged many developing countries into illiquid situations during 1982, whereby they could not service their bank loans.

Progress Since 1982

In the face of the problem outlined above, an international debt strategy was put together to deal with it. There has been considerable progress.

The rescheduling and new lending collectively arranged by creditor and debtor governments, as well as by multilateral and commercial lenders, maintained confidence in the international financial system. During this period, the IMF lent some $34 billion to 72 countries, including $13 billion to Latin America. As part of the collective effort, commercial banks have rescheduled about $150 billion of developing country debt as well as providing some $28 billion in new loans to certain LDCs. Overall, these collective rescheduling and new money packages, linked to successful adjustment by the countries themselves, have enabled many debtor countries to dramatically improve their exchange rate and trade positions; restructure their debt maturities; restore their liquidity; service their debt in a reasonable manner; and provide an essential foundation for growth.

In addition, U.S. banks have strengthened their own balance sheets since the outbreak of the crisis. The top 24 U.S. banking institutions increased their average primary capital/asset ratio some 200 basis points, to almost 7 percent in 1985 from less than 5 percent in 1982. They also increased their loan reserves as a percent of total loans from 1.10 percent to 1.6 percent. During this period, U.S. institutions reduced their international lending $47 billion, from a high of $359 billion in 1983 to the $312 billion last December. Since 1982, the 24 largest institutions decreased their international lending $31 billion while increasing their primary capital by over $29 billion. In terms of Latin America, the 9 largest U.S. banks decreased their exposure as a percent of capital from 177 percent to 105 percent, while the next 15 largest banks decreased their Latin exposure from 124 percent to 66 percent.

Finally, from 1982 to 1986, policies in the industrial countries have succeeded in dramatically lowering interest and inflation rates. A compatibility of policies recently is leading to better alignment of exchange values and rates of economic growth. All of this has provided the developing countries with a more reasonable global economic environment in which to service their debt and proceed with their own policies for sustained growth. As the Treasury Department has emphasized:

- Estimated industrial country growth will be approximately one percent higher than projected at the end of 1985, and inflation will be about two percent lower. The Treasury estimates that in 1986, this will add nearly $5 billion to developing nations' non-oil exports and reduce their non-oil import costs by approximately $4 billion; and,
- The sharp decline in interest rates — nearly 3 percent since early 1985 — will reduce annual debt service payments for all LDCs by about $12 billion, freeing up these resources for productive use elsewhere in the debtors' economies. For the major debtors alone, the savings will be nearly $8 billion, or 20 percent of their annual interest payments on outstanding debt. The Treasury believes that if one compares current 6-month LIBOR rates to the average for 1984, and focus on debt owed to commercial banks, the savings are even more dramatic, a decline of nearly 5 percent and 45 percent savings in annual interest payments.

Continuing Problems

However, despite the progress since 1982, much more needs to be done to solve the debt problem.

Some debtor countries need to continue to reduce their high rates of inflation and budget deficits, better align their exchange rates, and promote domestic savings and investment in order to stem the fundamental problems of capital flight and an over-reliance on bank lending. Until certain debtor countries implement credible policies which provide their own citizens with confidence to hold their capital in their country, additional and alternative flows of foreign capital will be difficult to arrange

In the industrial countries, economic growth converges, albeit at a combined lower rate of 3 to 3½ percent, while protectionist pressures continue to threaten LDC export markets. Lower growth translates, to a degree, into, lower prices the debtor countries receive for their exports.

Commercial bank lenders need to continually balance their macro and micro prudential objectives. As mentioned earlier, U.S. banks considerably reduced their vulnerability to the debt problems since 1982. On the other hand, it seems in the best macro-prudential interests of the banks to ensure enough net new bank financing is available to assist debtor countries in adjustment and to support the stability of the international banking system. As we stated in 1983, and have observed since, such new lending may help improve the quality of outstanding exposure. Of course, it is up to the bankers themselves, as professional lenders, to make these decisions. These might even include certain concessions or gestures, in the short term and under appropriate circumstances, in order to satisfy their longer-term perspectives.

The international debt situation has become especially confused recently by the fall in oil prices. There are benefits to some LDCs from lower prices. The Treasury estimates oil-importing LDCs will save $14 billion. Salomon Brothers and American Express estimate Brazil and Korea could reduce import costs some $6 billion, about one-sixth of what they owe U.S. banks. In adddition to reduced oil import costs, many countries will benefit internally from the faster growth and lower inflation that lower energy prices should promote.

On the other hand, the plunge in oil prices suddenly focuses attention on those debtor countries reliant on oil revenues for debt service. Both Salomon Brothers and American Express perceive that a drop from $27 to $15 per barrel will depress oil export revenues of the 11 major oil producing LDCs by over $25 billion, about $16 billion of which would represent lost revenues to Mexico, Nigeria, and Venezuela. U.S. banks lend the 11 countries $46 billion, including $36 billion to Mexico, Nigeria and Venezuela.

While it is difficult to make precise estimates out of the pronounced uncertainty of oil prices, clearly the reduced revenues of indebted oil-exporters means these countries are less able to service their debt and may mean they will have to take additional macro-economic and structural reforms, perhaps with the assistance of the IMF and the World Bank.

Resolving the international debt crisis must be done in a way which is not indifferent to the political dimension of the problem. Austere adjustment measures have caused unemployment, lower standards of living, and overall social tensions in some countries. Many debtor countries generally have been net exporters of capital in recent years which is politically unsustainable over the long term and fuels radical proposals for debt reform, such as Cuba's call for widespread debt repudiation or Peru's unilaterally imposed ceiling on debt service. A more recent concern has been the apparent use in a few debtor countries of the IMF as a political scapegoat for policy reform or policy development outside of the framework of the international institutions. It is a concern because these institutions serve as essential catalysts for needed reschedulings and additional financing from creditor governments and banks.

Finally, since 1982 several debtor countries have established new constitutional democracies or have strengthened their democratic governance. Either case has introduced more legitimate parties-at-interest into the management and negotiation of external debt, thus complicating and extending the processes of adjustment and debt negotiation.

The Baker Initiative Reinforces and Enhances Progress

In view of the progress made since 1982 as well as the remaining problems, Secretary Baker has outlined a set of initiatives to strengthen the international debt strategy. They emphasize the countries themselves instituting policies which promote sustained growth through increased savings and investment, supported by enhanced flows of financial assistance, on a case-by-case basis, from the international financial organizations and the international banking community. The secretary's initiatives have received broad public support from international organizations and creditor governments. Creditor banking associations also have pledged their support.

We also support these proposals for a collective, co-responsible resolution of debtor countries financing problems, including collective, modest additional lending by U.S. banks. The design of the initiatives to promote more multilateral lending, domestic savings, and private investment also should provide a more balanced blend of capital available for these countries to grow. Overall, we believe the developing countries will continue to work diligently with their financial institutions to maintain orderly debt service. Granted, this will take time, and there always are some uncertain prospects, as well as latent risks.

Remarks by Robert L. Clarke, Comptroller of the Currency, before the Annual Convention of the Pennsylvania Bankers Association, Washington, D.C., June 2, 1986

It's my pleasure to welcome you to Washington, D.C., where, by one estimate, 1 out of every 25 residents is a lawyer. Some people say that if all the lawyers in Washington were to get together, they could take over the country. Others say that they already have. Here in Washington — as everywhere — lawyers have long been the target of humor: What do lawyers and dishwashers have in common? If the first one had never come along, no one would notice the void. A small town that can't support one lawyer can always support two. There are two kinds of lawyers: those that know the law and those that know the judge. Lawyers earn a living by a sweat of their browbeating. As you know, I spent 18 years as a practicing attorney myself. In those years, I saw many people entangled in legal proceedings. I've witnessed how frustrating that can be. And so I understand why people can turn their frustration against the legal profession itself — frustration that often expresses itself as humor.

Its a fact that legal proceedings are not fun. They are not supposed to be. The law was never intended to be the sole means to settle disputes. Courts of law were designed to settle disputes when all other means fail. They are a last resort. And last resorts are never pleasant but they are necessary. In the same way, bank supervision was never intended to be the sole means of preventing the type of abuses that cause many banks to fail — and cause stockholders and depositors to lose money. The first line of defense against these abuses should be executive management. The second line should be the bank's board of directors. Bank supervisors should step in and take action only when management and directors are unable — or unwilling — to keep their own house in order, just as courts of law are intended to review a dispute only when the parties to the dispute are unable — or unwilling — to settle it on their own.

Over the years, federal bank supervisors have tried to reinforce the notion that bank directors have an active and direct responsibility for the well-being of their institutions. From the recent reaction to these efforts, one would think that federal supervisors have tried to make bank directors responsible for all the sins of the world. That is simply not the case. Today I will not rehash horror stories about directors' liability. The press has done an ample job of reporting on developments in that area. Nor would it be productive for me to merely relate the federal supervisors' point of view on the issue. Rather, I want to put that point of view — and the director's responsibility to exercise reasonable care — into a perspective wider than "us against them." A wider perspective will spark new thinking — new questions and new cooperation — on the part of supervisors, directors and bankers. Ultimately, a wider perspective will lead to a new appreciation of the bank director's role.

To achieve a wider perspective, it is necessary to reverse several widely held misconceptions. The first is that federal supervisors are taking legal proceedings against bank directors to teach them a lesson or to send messages indirectly to the industry. For example, some people say that the Federal Deposit Insurance Corporation has increased the number of suits against directors of failed banks for one of those two ulterior motives. There is no ulterior motive when the FDIC brings such a suit. The agency's duty as a receiver prompts those actions. In the case of every failed bank, the FDIC conducts an investigation. There is no presumption of director liability in these investigations although director liability may become apparent from them. Before a director suit takes place, the case must go through many levels of detailed review within the agency. This process of investigation and review takes a year or longer. Furthermore, on any suit, there must be a truly viable claim against the director. The FDIC recognizes that its case must be able to withstand judicial review.

The second misconception is that there has been an explosion in the number of actions against directors. In the example of failed bank cases, the numbers have increased over the years because the number of failed banks have increased over the years. But the agency doesn't bring suit in the case of every failed bank. A figure often used is that the agency brings suit in about two-thirds of bank failures. Historically, that figure is accurate. But it describes all those years when there were only a handful of failures every year and insider abuse was the overwhelming factor in the failures that happened. Over the last 2 years or so, local market conditions beyond anyone's control have played an increasing role in bank failures. Federal supervisors recognize that. And the FDIC says today that, as the current investigations and reviews work their way through the agency, we can realistically expect director suits in less than two-thirds of bank failures.

What about the number of civil money penalties against directors? Last year, the OCC took a total of 637 enforcement actions against banks and individuals. Less than a third of the actions — 202 as a matter of fact — resulted in civil money penalties basically against individuals. Furthermore, virtually all of these situations were resolved through negotiations between the bank and the OCC. From these numbers on FDIC and OCC actions, we cannot conclude that the Federal supervisors are conducting a campaign to persecute bank directors.

The third misconception is a belief within the industry that the bank supervisors' expectations concerning director responsibilities came suddenly out of the blue. We did not wake up one morning a few years ago and say to ourselves: Wouldn't it be great to saddle bank directors with some responsibility for their institutions?

As one of my predecessors wrote to Congress: "The duties of the board of directors are plainly defined, and however innocent they may be of any intention of wrong, they are responsible for the safety of funds committed to their care." Of the directors of a bank, he wrote, each has "a personal interest in its prosperity and good management." My immediate predecessor, Todd Conover, did not write those words. Nor did his immediate predecessor, John Heimann. They were written by John Jay Knox, the fourth Comptroller of the Currency, in 1881.

From that time until well after the turn of the century, Comptrollers again and again stressed that they expected directors to take an active role in their institutions and that the OCC would consider them derelict in their duty if they did not. Edward S. Lacey, the Comptroller in 1891, wrote that, as a rule, banks prospered "just in proportion as their directors [were] intelligent and faithful." Directors, he wrote, could not delegate their power and could not plead ignorance when losses were incurred through transactions not allowed by the National Bank Act. This view of directors' responsibilities was not held by the Comptroller alone. The president of the Philadelphia National Bank at this time insisted that his board remain active in the supervision of the bank's affairs. In one of his public addresses he argued: "A bank may be said to be in good condition . . . when it has a board of directors who are not content to be mere figureheads, but who understand their business and remember their qualification oaths: directors . . . who believe that 'nothing is good enough that can be made better.'"

In 1905, Comptroller William Barret Ridgely placed the ultimate responsibility for bank management on the directors and said that the chief executive should make to them full and complete reports, indicating all loans and important transactions. In line with his outlook, a change in procedure was established at the Comptroller's office. The OCC had formerly communicated only with bank officers. It then began to send copies of any letter containing severe criticism of a bank's administration to the directors — and requested a formal acknowledgment of receipt.

Mark Twain once said that history never repeats itself, but sometimes it rhymes. At times, it seems to me, bank supervision is epic poetry.

Did the Comptrollers' views on director responsibilities in the past prompt legal proceedings? Of course. What doesn't? But during those years, the courts found time after time that bank directors had a legal responsibility for the welfare of their institutions.

What did directors do at the turn of the century to protect themselves from liability? They took steps like that taken by the Chicago business leader James B. Forgan, who in 1900 hired for the board of First National Bank of Chicago an auditor who was officially the employee of the directors. From then on, the books of the bank were audited by a professional, thereby assisting the directors in meeting their responsibilities.

Were the earlier Comptrollers serious about director responsibility? Were they ever. In a famous case that ultimately ended up before the U.S. Supreme Court in 1891, the OCC took action against a bank director named Spaulding. Mr. Spaulding should have known better. After all, as a former member of Congress, he was one of the authors of the National Bank Act — the law that created the OCC.

As we have seen, the supervisory expectation that directors take an active role in the direction of their institutions is more than a century old. Even older is the individual liability of a director for a bank's lending that exceeded a legal limit, although at times the director could avoid liability by dissenting from the decision publicly. For example, in 1791, the charter of the First Bank of the United States required that any dissenting director had to give notice to the President of the United States!

We see that director responsibilities did not come suddenly out of the blue. Today, however, more than ever before in living memory, each bank director needs to be aware of these responsibilities — and his or her duties and liabilities. Why? Ten years ago, bank directors were chosen primarily for their credentials — after all, the industry was regulated and profits, for the most part, were a given. Today, in a more competitive financial services industry, banking is more complex — and directors must bring more to their job than credentials — it's more important than ever that they bring independent judgment.

The standards the federal supervisors use have not changed — but the industry has. The fundamental responsibilities of a bank director have not changed — but the job has gotten tougher. Today, the director must direct — or take the responsibility where there is a failure to direct.

The best way that directors can protect themselves is by taking an active interest in their institution. The director who knows his job and does his job need not be unduly concerned about his liability. The director has a duty: (1) to know what is going on in the institution, (2) to be familiar with the laws that affect the institution, (3) to ensure that the institution has policies and procedures so that what happens in the bank can be tracked, (4) to ensure that the bank has competent senior management and to supervise that management, and (5) to take decisive action when necessary to prevent and correct violations.

What should a director be on guard for? One example clearly stands out. It is no secret that insider lending is an area where federal supervisors are particularly sensitive and where directors need to be particularly knowledgeable and diligent. Insider lending is still one of the more common contributors to bank failures.

It is also no secret that, in the past, directors have been chosen by executive management, and not the other way around. As a result, there has been a tendency for boards to be hesitant in questioning the management's decisions and actions. Today — for their own protection — directors must ask. And they must know what to ask — rather than relying on what management tells them. At bottom, directors must learn what banking is about. They have a very important financial stake in their own education. Bank directors are in charge. They are responsible both statutorily and under the common law with setting the overall policy and determining the direction the bank will take. They must evaluate and guide the bank's performance. While the daily operations may be delegated to responsible officers, the duty to supervise an officer —

whether he is the CEO or another — cannot be delegated to regulators or anyone else.

It would be an ideal world where federal bank supervisors could put together a "Ten Commandments" for bank directors to follow to protect themselves. Unfortunately, we don't live in an ideal world. Bank supervision is an ongoing process. Bank directors will always have to use some judgment. Yet, because we don't live in an ideal world, federal bank supervisors have long recognized that directors are neither absolute insurers nor guarantors of their institutions. If a bank director uses independent judgment and acts responsibly to meet his or her duties — committing time and energy to those duties — bank supervisors will recognize that effort.

In this regard, one of the best things directors can do is to read the communications between their institutions and bank supervisors and question management on these communications. These communications are often a blueprint of problems within the bank. Some bank directors won't do that. And because they won't, there will always be a need for recourse to legal proceedings or a court of law as a last resort. Bankers, directors and bank supervisors all have a community of interest in keeping such recourse — as a last resort — to a minimum. The only way to keep it to a minimum is through director education. There are many simple ways for a bank director to educate himself or herself. Trade associations have developed educational material, and there are many publications on the bank director's role. The OCC has an active interest in promoting director education. For example, OCC is now revising its handbook for directors.

I am urging you today to write to me with any suggestions you have on what you think can be done to improve director education. If you are a director, tell me what you need. Your suggestions and recommendations — along with those of other directors and bankers, lawyers and experts — will contribute to increasing the awareness of all bank directors as to what is expected of them and how to satisfy those expectations.

Looking back, we find that director responsibility has long been basic to banking. As in so many other areas, the time has come to return to basics — to go back to the future. Going back, I would like to end with the words of the thirteenth Comptroller of the Currency, John Skelton Williams, who in 1916 described the foundation of OCC supervision when he said, "This Office has no desire to do injustice to any bank. Its single aim is to promote sound, honorable, and safe banking and to use the powers for which the law has conferred upon it for the protection of the legitimate banking interest of the country and for the prevention of those practices which, throughout banking history, have brought injury and disaster to innocent depositors and to the business communities where bank failures have occurred."

Statement of Robert L. Clarke, Comptroller of the Currency, before the House Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance, and Urban Affairs, Washington, D.C., June 4, 1986

Mr. Chairman and members of the Subcommittee, I welcome this opportunity to appear before you to discuss first, proposed legislation concerning bank advertising and disclosure practices intended to improve consumer information; and second, resource constraints facing the Office of the Comptroller of the Currency.

Bank Advertising and Disclosure

H.R. 2282, the "Truth in Savings" bill, attempts to achieve uniform disclosure of the interest rates and fees associated with interest-bearing deposit accounts offered by depository institutions so that consumers can make more meaningful comparisons among such accounts. The OCC fully supports this goal. We believe, however, that current federal banking agency regulatory initiatives in this area may make "Truth in Savings" legislation unnecessary.

Background

The removal of interest rate ceilings on time and savings accounts, which was completed earlier this year, has resulted in an abundance of creative and innovative new deposit accounts. Consumers have clearly benefited from the greater choice of accounts available to them and the opportunity to earn market rates of interest on their savings deposits. However, the variety of accounts with varying terms and conditions has understandably caused some customer confusion.

Most depository institutions have clearly and accurately explained the various features of their financial products. Nonetheless, it may be difficult for consumers to compare the individual features of similar accounts offered by different depository institutions. For instance, two accounts paying the same simple interest rate may have different yields depending on the frequency of com-

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pounding. To the extent that consumers are confused, savings dollars may not flow to the depository institutions offering the best rates and terms. For these reasons, we share your view about the importance of uniform and accurate disclosure in advertising.

Existing Rules on Bank Advertising

The OCC currently has no express rulemaking authority regarding advertising of deposit accounts by national banks. The Federal Reserve Board prescribes rules governing the advertising of interest-bearing deposits by member banks, including national banks, through its authority under the Federal Reserve Act (12 U.S.C. 371b). The OCC actively enforces national bank compliance with the Federal Reserve Board's implementing rule, Regulation Q. This regulation currently requires that:

- deposit advertising be accurate and not misleading;
- affirmative disclosures in advertising be made regarding the payment of interest, early withdrawal penalties, minimum balance requirements, and minimum periods during which funds must remain on deposit to earn the stated rate of interest;
- interest rates be stated in terms of the annual rate of simple interest; and
- where a percentage yield achieved by compounding interest during one year is advertised, the annual rate of simple interest be stated with equal prominence, together with a reference to the basis of compounding.

The OCC issued Banking Bulletins in 1983 and 1984 to national banks emphasizing the importance of complying with the disclosure requirements of Regulation Q. In the 1983 Bulletin, the OCC expressed its concern that national bank advertising for new ceilingless accounts not be inaccurate or misleading. We reminded banks that we would closely monitor their advertising practices to ensure they conform to Regulation Q requirements.

In the Bulletin that followed in 1984, the OCC emphasized the importance of national banks disclosing current schedules of fees and charges. We asked national banks to review their policies and procedures regarding such disclosure to ensure that customers were receiving accurate and helpful information.

Additionally, in a 1985 Banking Circular that encouraged national banks to consider the provision of basic banking services, the OCC also recommended that national banks provide "plain-English, written disclosure of all fees, services and terms of the basic banking services."

The OCC has also taken the initiative to increase the required disclosure of fees and service charges by proposing an amendment to 12 CFR Part 18. This proposed change, which is currently under consideration by this Office, would require national banks to disclose to depositors, among other things, current schedules of fees and charges and their funds availability policies.

OCC Position

Because of the constantly changing nature of the financial products offered to consumers, we believe that it is important that the regulatory agencies have maximum flexibility to adjust disclosure requirements in response to new industry practices. Rigid statutory requirements, based on today's products, may not serve the consumer when applied to the products of tomorrow. We would, therefore, be very concerned with any statute that mandates specific language and formats for the advertising of deposit accounts or that specifies how products should be designed.

The Federal Reserve Board is currently considering revisions to its Regulation Q to consolidate and simplify the various Board interpretations, policy statements, and staff opinions that were issued over the past few years in response to new savings instruments. The revisions are intended to establish advertising standards that will be flexible enough to deal generally with new and different savings instruments, while not being so cumbersome as to discourage their creation.

The OCC has commented on this proposal and is participating in an interagency working group organized to scrutinize federal advertising and disclosure policy on bank and thrift deposit accounts. We have encouraged the Federal Reserve Board to adopt revisions to its current rule that will enhance the flow of useful information to consumers regarding the terms and conditions on deposit accounts and will guard against the problems associated with excessive and overly complicated advertising disclosure requirements.

Conclusion

The objective of H.R. 2282 is commendable. It is our view, however, that federal bank regulators already possess adequate authority to achieve increased and uniform disclosure in the advertising of interest-bearing deposit accounts and are actively working towards that goal. In fact, federal legislation could be harmful to the extent that it imposes specific disclosure requirements that may prove, over the long term, to be inappropriate, rigid, or overly costly. Bank regulators need the flexibility to respond to the creation of new and innovative savings instruments.

OCC Resource Constraints

I would like to devote the remainder of my statement, as the Subcommittee requested, to the OCC's need for additional resources. Our responsibilities continue to grow as conditions in the banking system change. However, it is becoming increasingly difficult for us to meet those responsibilities. One reason for this is the spending restrictions imposed by the Balanced Budget and Emergency Deficit Control Act of 1985, better known as Gramm-Rudman-Hollings. Another reason is our need to enhance our compensation and career development packages in order to attract and retain an adequate number of experienced and competent bank examiners.

At your request, Mr. Chairman, a letter containing our comments on an amended version of H.R. 3567, which addresses matters related to the resources available to the federal bank regulatory agencies, is being prepared and will be sent to the Subcommittee. Today, rather than discuss the specifics of the proposed legislation, I will present my overall view on the need for the OCC to enhance its supervisory efforts, to retain the flexibility to direct its supervisory efforts to areas of greatest need, and to build up its highly skilled work force.

Challenges Facing Bank Supervisors

The responsibilities and challenges facing bank supervisors have increased steadily in recent years due to a variety of factors.

First, the number of national banks has increased. In 1980, there were 4,000 national banks with assets that totaled $1 trillion. At yearend 1985, there were nearly 5,000 national banks with over $1.6 trillion in assets.

Second, since the 1960s, the financial services sector has undergone tremendous change that has made the banking business more complex and difficult. A system of regulation prescribing the kinds of deposit accounts banks could offer and the interest rates they could pay on those deposits was dismantled in the early 1980s. The competitive pressures facing banks have intensified as a variety of financial services providers are making inroads into banks' traditional lines of business. These changes and the growing complexity and technological sophistication of banking have increased and need for more sophisticated approaches to bank supervision.

Third, volatile economic conditions have buffeted the banking system. Since 1980, there have been back-to-back recessions, severe downturns in the agricultural and oil and gas sectors, a sudden shift from inflation to disinflation, difficulties with some less-developed countries repaying their heavy debts, and a variety of other problems.

Last year, 118 commercial banks failed, the most in any year since the Great Depression. Thirty of the 118 were national banks. At least that many failures are expected in 1986. Through May 30 of this year, 50 commercial banks had failed, of which 21 were national banks.

The pressures on the industry are even more apparent from the number of banks experiencing financial difficulty. In 1980, 257 national banks were receiving special supervisory attention (*i.e.*, had CAMEL ratings of 3, 4, or 5). Since then, the number of national banks requiring special supervisory attention has increased fourfold to over 1,100 banks.

The increased number of national banks, the more complex nature of the business of banking, and the financial difficulties being experienced by national banks have significantly increased the demands on the OCC at a time when our resources have actually declined. Since 1980, the number of full-time equivalent employees at the OCC has declined 10 percent to 2,900. As a result, the OCC has been forced to cut back on the number of annual on-site bank examinations.

To meet these greater supervisory demands with a smaller examining force, the OCC has had to increase its reliance on remote surveillance of bank performance through greater use of computer technology and off-site analysis. The OCC has also had to limit its resource-intensive, on-site examinations to those banks that present the greatest risks to the safety and soundness of the entire banking system. As part of our 1986 supervisory plan, for instance, we decided to forego on-site examinations at 1,200 community national banks that had been identified through off-site analysis as posing the least risk to the banking system.

Despite our best efforts to supervise the national banking system with fewer examiners, the pressures for a larger examination staff continue to mount. The Treasury Department recognizes the need for additional personnel and has requested 150 additional full-time equivalent employees for the OCC in FY 1987. That increase was proposed in the President's 1987 budget and demonstrates the Administration's commitment to addressing the problems discussed above.

Gramm-Rudman-Hollings

The application of Gramm-Rudman-Hollings to the OCC, however, has hindered our plan to expand the ranks of our examiners and has, in fact, resulted in a decline in the size of our examination force. To reduce expenditures in FY 1986 as mandated by Gramm-Rudman-Hollings, the Office first reduced non-personnel related expenditures. Those cuts, however, enabled the OCC to achieve only 60 percent of the mandated reductions.

To make up the difference, the OCC has been forced to implement a hiring freeze. A recent analysis of the staff reductions that will result from our hiring freeze indicates that the number of field examiners is likely to decline by approximately 275 during FY 1986. This constitutes 12 percent of our field examining force. In Washington, the freeze is expected to result in a reduction of 73 employees, or 11 percent of headquarters staff by yearend.

These reductions come on top of the 10 percent decline in staff size we have experienced since 1980. Currently, 26 percent of the positions designated to be filled by commissioned National Bank Examiners (NBEs) are vacant. These positions are necessarily filled internally by individuals who have achieved a demonstrated level of competence through training provided by the OCC. If the freeze is continued and we cannot add new assistant examiners, our ability to staff these commissioned NBE positions in the future will be severely limited. This shortage of commissioned examiners will be most troublesome in the Midwestern and Southwestern Districts where there are the greatest number of problem banks.

As a result of the hiring freeze and budget cuts, approximately 700 community national banks, or 14 percent of the national banking system, may not receive planned on-site supervision in 1986. Of these 700, over 100 had been identified as institutions likely to suffer a financial deterioration. These reductions are in addition to the previously planned elimination of on-site visits at over 1,200 community banks. Although the reductions are being managed in 1986, we fear that the consequences of further cutbacks in 1987 and beyond could cause the OCC's supervisory efforts to be less than prudent.

Recognizing the importance of ensuring that the OCC fulfill its supervisory mission, we would be pleased if the Congress reevaluated the applicability of the automatic reductions of Gramm-Rudman-Hollings to the bank regulatory agencies for FY 1987 and beyond. Let me point out that such legislation would not remove the OCC from its current oversight, both by the Treasury Department, because it is a Treasury bureau, and by the two banking committees of the Congress.

Turnover

An additional, longer term problem is posed by the high rate of examiner turnover at the OCC. Over the past five years we have had an average annual turnover rate which has averaged about 14 percent. This turnover rate has reduced the number of our experienced examiners, and has required that an increasing share of our annual expenditures be devoted to training programs.

The OCC's turnover rate is particularly costly because of the investment we make in our examination staff. Virtually all of our supervisory talent is home-grown. We hire new college graduates, and following approximately five years of both formal and on-the-job training costing more than $30,000 per employee in addition to compensation, qualified employees are commissioned as national bank examiners. Once trained, our examiners have skills that are attractive to banks and to supervisors of other financial institutions.

When one of these examiners leaves the agency, it is difficult to find a comparably skilled replacement. For most supervisory positions, people with the necessary skills are not readily available outside the OCC. OCC recruitment efforts are also hampered because the earnings potential of trainees may be as much as 10 to 30 percent lower at the OCC than at other federal regulatory agencies that oversee financial institutions.

Moreover, our ability to retain experienced personnel has been hampered by an increasingly wider gap between our pay levels and those of the banking industry and the agencies that supervise other financial institutions. Greater flexibility in our compensation program would go far toward reducing examiner turnover and would enhance the attractiveness of a professional career with the OCC.

Conclusion

The Gramm-Rudman-Hollings reductions for FY 1986 are currently hindering the OCC's efforts to achieve fully our supervisory mandate at a time when the banking system is subject to significant pressures. Although the 1986 cuts are manageable, future cuts, if required, will severely impair our ability to supervise national banks. Accordingly, the Administration favors the Congress reconsidering the applicability of Gramm-Rudman-Hollings for 1987 and beyond.

Bank supervision is a major public policy concern. I believe that the Congress — and the public — want to see an effective system of bank supervision and regulation. But to quote a well-known slogan, "you get what you pay for." And it is significant that the banks are paying for it.

I have had numerous bankers tell me that they would be willing to pay more in assessments if it would mean that their banks would be examined more frequently and by examiners with more experience. I believe that more flexibility in our compensation and career development program would enable us to retain more experienced staff. In this regard, such proposals were addressed in connection with the Vice President's Task Group on the Regulation of Financial Services.

Funding is not the problem. The OCC is a self-supporting agency funded entirely by user-fees. To carry out its mission, the OCC must be able to spend, from its own funds, the amounts necessary to respond to changing conditions in the banking industry. We should not be subject to arbitrary, across-the-board cuts in spending levels.

Remarks by Dean E. Miller, Deputy Comptroller for Trust and Securities, before the Southeastern Trust School, Buies Creek, North Carolina, June 10, 1985

It is merely reciting a given to state to you that the business of banking is in a state of change. Everyone knows that. Interstate expansion is with us, whether you like it or not. The only meaningful difference of opinion now is how it is going to occur.

Perhaps more important — and perhaps more relevant to my main point today — product deregulation is also coming about. One of the most significant areas of banking which this phenomenon is affecting is the one in which we are the most interested — fiduciary services.

In addition, we have structural changes and regulatory changes affecting bank fiduciary activities. Yet to the average bank trust officer in the average trust department, I imagine these developments have not been all that earthshaking — indeed, their impact may not have been perceptible to some of you.

Some of your institutions are in the process of becoming part of regional combinations. Some very interesting courtships, engagements, marriages, and broken engagements have taken place. If your institution is involved, the result of the marriage will be that you may become part of a larger institution or come under new management. There may be a number of changes even if there is not a new management as a result of the combination. Thus far, however, it would not appear to me that this development has changed your lot appreciably. Few of the banks in this area are being amalgamated seem to have had purges or anything like that.

Another feature of interstate expansion is the outright entry of banks from other states. It does not appear to me that this has had a cataclysmic effect yet. You do not have the trust department of a major out-of-state bank next door. Some of you will quarrel with that statement, for you may indeed have a trust company affiliate of such a bank next door — particularly if you're from Palm Beach, Florida. But that's not quite the same thing. And my essential point is, even if you do, it hasn't changed your life that much — at least that's my image. While you may have some new competition, you are not losing your estates *en masse* to a horde of invaders, as nearly as I can determine. Yet the invaders are coming, nonetheless.

Even less perceptible to you to date, I suspect, has been any effect of product deregulation. For example, I don't imagine you've lost that many estates or trust accounts to broker-dealer investment advisors, or to Sears or to savings and loan associations or whomever else is invading trust banking from other businesses. The interlopers into your business have not put bank fiduciaries out of business yet.

On the other side of that coin, not many of you have pooled IRA funds or are registered with the SEC as investment companies. If you did, you'd be in court with the ICI. So far only four banks are in that situation, and the amount of business involved in the funds established to date is minimal, and with the new tax bill, it may become even smaller. I cite this activity only because it is sometimes viewed as bank product diversification into a new area. Of course, we know that the functions being performed are not new — the novel element is the form. Even though what we have in the pooled IRA fund cases is just an ordinary common trust fund, it is being run as an investment company, complying in all respects with the Investment Company Act of 1940.

It is this element of the pooled IRA funds which at the least bears a potential for product diversification for the banks. After it has been established that a bank can take a traditional banking function and put it into an investment company, and run that company, the obvious next step is to take another, perhaps less traditional banking function, and do the same. In the long term, the process might result in a significant modification of the Glass-Steagall Act; either legislatively or through progressive judicial construction. This possibility, of course, is the real reason that the Investment Company Institute has us in court about the pooled IRA funds.

Some of your banks may have discount brokerage operations, and may be in the process of conforming with the SEC Rule 3b-9. How many of you are doing this? Here is another activity which at least has its roots in a recognized legitimate banking function — the purchase or sale of securities upon the order and for the account of customers; but which appears to be leading banks into a diversification of product lines because it is perceived by others as being a broker dealer function and it is causing regulatory changes.

The number of banks that are offering some form of discount brokerage service is really quite high. The number of these banks which will be subject to Rule 3b-9 is still not clear at this point. There are a number of exemptions and their scope is subject to some uncertainties. In certain cases, this rule — assuming it withstands the ABA court challenge — can result in requiring particular fiduciary activities, specifically, investment advisory functions, to become subject to SEC and/or NASD scrutiny, which probably would require spinning the function out to an affiliate.

Like the geographic expansion I mentioned earlier, this development — product expansion — has far-reaching implications for banking, and particularly, bank fiduciary activity. However, also like interstate expansion, product expansion has not yet made a significant change in your lives.

In addition to the changes which have come about through geographic expansion and product diversification, we have had banks engaged in a process of internal reorientation as to the marketing of their fiduciary services. This is a process I've dealt with before, loosely called "synergy in banking." When the idea first burst on the scene four years ago, there were many who thought it would revolutionize the trust business. Some of my quotes may imply even I thought that. But a revolution hasn't occurred, except in a small number of banks, and I'd probably deny now that I thought it would.

As you know, a few banks dismantled their trust departments and combined the trust department products with other banking services, to be marketed and administered in a more generic customer oriented department of the bank. There were quite a few banks who began to market and administer some fiduciary services outside their trust department, while continuing to market and administer other fiduciary products in their trust departments.

But there were a great many banks who did absolutely nothing in response to the synergy in banking study — at least structurally. In addition, there were some who made what amounted to personnel changes under the guise of "synergising," but really didn't drastically alter their modus operandi. How many of you have synergised? That is, how many of you are now offering trust services in conjunction with nontrust services? As I have stated before, my general impression here is that your lives as trust department officers have not been greatly affected by this development.

There is one more area where change is occurring in banking. This is my own special area of interest, the regulatory climate. Here, changes are occurring in several ways.

First, as I have already touched upon, we have a fourth "banking supervisor" in our lives now — the SEC. You have always had to cope with the Commission in certain respects; but in recent years, a steady progression of events has brought the SEC increasingly into banks from a number of directions.

There is disclosure about the bank's condition if it is a covered bank which is driven by the SEC. If your bank is part of a holding company, then the Commission is more than just a driver, it's the whole car, some would say.

Then there are the municipal securities dealer and stock transfer areas. By statute, the SEC is given joint regulatory authority in these areas along with the banking agencies. Now, very recently, there is Rule 3b-9, relating to discount brokerage operations. In this case, we may have the SEC becoming the principal supervisor of some accepted banking fiduciary functions — the provision of investment advice — if those functions are performed by a bank which has a discount brokerage operation which is subject to the new SEC rules; for in that case, as I understand it, the SEC would assert jurisdiction over the investment advisory operation as well.

There is also a fifth bank supervisory agency — the Department of Labor (DOL). ERISA covers the greater part of bank trust assets these days. While the DOL does not conduct regular examinations of national banks, it is the interpreter and principal enforcer of the rules of the game. The banking agencies regularly refer possible violations of ERISA to the DOL, pursuant to a formal agreement we have entered into. Because the Department is the only agency having authority to apply ERISA sanctions, in most cases this means that most questioned activities in the employee benefit trust area are referred to them. Occasionally, the Department will examine a bank nearly always in the course of a specific investigation of a specific plan. Obviously, it will also take enforcement action against banks believed to have violated ERISA.

In addition to the regulatory changes involving other federal agencies, there are some wide reaching changes being made by the banking agencies, and particularly, by the OCC. First let me explain the reasons for our changes.

The first reason is what I have spoken about up to this point. The industry my agency is supposed to supervise has changed, and we must also change to adapt to this development. The principal strategic objectives of the OCC are twofold: (1) to ensure the safety and soundness of the national banking system, and; (2) to enforce a high degree of compliance with law and regulations. Let me discuss these objectives for a moment in the light of today's changing environment.

While we have had a great deal of experience with, and will always have some of the traditional threats to safety and soundness from lending operations, traditional supervisory responses are not always the best solution. This is because lending itself is not a static activity. There are always new types of business (and non-business) borrowers emerging, posing new or unique elements of risk. In addition, the risks of lending to certain sectors, i.e., agriculture and energy, may change over time. Finally, new or novel lending practices may arise or existing practices may become no longer possible. An obvious example of the latter would be the changed rules about use of credit information. These matters always require adaptation, of course.

But now, in addition to the "traditional" threats, the "non-traditional" ones have become much more complex. In your own area — trust — you have always been aware of the threat of surcharge for breach of trust. As our society has grown more inclined to question and to litigate, and has developed the class action, this threat has increased.

In addition to these "more conventional but becoming less so" threats from the fiduciary activities, we now are finding ourselves in new areas. The new products which I discussed have their unknown elements of risk. To some degree, we have sought to isolate these risks by requiring placing some of them in subsidiaries or holding company affiliates. However, we cannot close our eyes to the subsidiary or affiliate. Its activities may damage the bank, either directly or indirectly. We may even wind up examining it, depending upon what its function is, and this may not be easy.

The second of our strategic objectives only complicates things further as bank activities expand. There is not a neat dividing line between activities which pose a risk to safety and soundness, and those which should be supervised solely to ensure compliance with law. If a bank fails to comply with a law, it risks becoming subject to the sanctions which most laws have for noncompliance. In turn, these sanctions could pose a threat to the safety and soundness of a bank, and from that point it is possible to trace a systemic threat as well. The sanction might not be as severe in immediate dollar and cents terms as it is in lost prestige, image, or reputation, all of which are invaluable to a bank. It could result in restrictive legislation affecting the entire industry. All of these possibilities are not quantificable but cannot be ignored.

Thus, in many of the new banking initiatives the threat to safety and soundness remains uncertain. We have no experience on which to draw assumptions. However, requirements designed to ensure compliance with laws are easier to formulate. The problem then becomes one of selection. Which law to examine for; how often; how severely to criticize? What about laws for which other government agencies are the primary supervisors? How will the other supervisor treat noncompliance?

To these considerations we must add one internal one. One might expect that the government supervisor of a business which is experiencing the phenomena I have been describing would be increasing its resources to keep abreast. However, this is not the case. Our budgets and manpower contingents have been reduced regularly over the past few years. Then in addition, this year something called Gramm-Rudman occurred. This has caused additional cuts in our budgets — severe cuts.

Thus, we face the the task of supervision of this business, with its current continuing expansion, both geographical and in products, with a reduced pool of resources. The dual objectives of the OCC must be balanced, sifted and planned with this backdrop. Obviously, it has had some sweeping implications for you and for me.

It is not my purpose here today to deal with the issue of why we need to be able to increase our resources, other than to say that we do, and we are endeavoring to accomplish this. For the immediate future we must play the hand that has been dealt. Further, we must keep in mind that even if we successfully carry the day for obtaining more resources, this is going to be only a limited respite, for no one is going to obtain a sweeping reversal of the government policy of the last decade.

Frankly, I think the day is gone forever when we will have the size of the trust staff which we enjoyed in the mid 1970s, or that we will be able to examine bank fiduciary activities in the manner that we did in those days. We will both have to reconcile and adjust to that. It may be easier for you than for us.

The steps which we have been taking in the past few years to cope with our increased burden with our reduced resources are in many cases going to become a permanent part of our supervisory structure. The comprehensive examinations of all banks' fiduciary activities which used to take place are a thing of the past. Beneficial as they were to you, and effective as they were for us, they require a level of resources unlikely to be available again.

In place of the thorough examinations of all trust departments which we can no longer perform, we have been developing methods of supervision which are less resource intensive. The first of these is also the most primitive. It is that in most cases we are examining departments with fewer personnel and in less time. Faced with these realities, examiners have "tailored" their procedures to provide the most effective use of their time. We are formalizing this process by developing a modular examination approach which may provide guidance to examiners by establishing a number of tiers or procedures. The examiner would do all of the first tier, and only if this process revealed a weakness or deficiency in a particular area, would continue to the next tier, etc.

We are also continuing to try to develop off-site supervisory techniques. A principal obstacle which we have encountered here is the lack of data relating to bank fiduciary activities. We have the annual reports of assets going back quite a number of years and special reports relating to earnings and expenses, which go back just a few years. Unfortunately, we don't have these in any computer data base — we just have the stacks of forms. However, we have developed programs which provide analysis of these data for use by our examiners. With these programs, we can make some projections about a bank's fiduciary activities in terms of profits and can isolate loss leaders and profit makers from among a bank's products. OCC personnel can enter this information from these forms into a personal computer, run the program, and draw some preliminary conclusions about the bank's fiduciary services.

We are also considering a different form of supervision for a bank's trust and other activities, which do not have immediate safety and soundness implications. We are thinking of examining only a sampling of all banks each year for these activities, but very thoroughly. Data gathered by the examiner during these examinations would be forwarded to us and entered into a data base and analyzed to determine whether industry-wide problems or trends are revealed. These results could provide the basis for directives to the banks or to our examiners, or both. They could provide information about changes in procedures and furnish the basis for targeting particular banks or practices in succeeding years. At the same time, we would deal severely with violators of laws or regulations.

The goal of this system would be to promote compliance rather than to detect and punish all non-compliance. It would include education of and feedback from bankers. This program should be effective because of its deterrent effect. Banks will be chosen for this non-safety and soundness examination randomly so a bank would always have the possibility of such an examination hanging over it. The bottom line would be a strong incentive to run a good fiduciary operation with OCC assistance.

How is a good fiduciary operation run? I would suggest establishing comprehensive and meaningful policies and procedures. There must be established policy for every area of activity to guide your officers and employees and procedures for them to follow. They are a necessary element of a well run fiduciary operation, and their presence or absence is an initial matter of inquiry for the examiners from our Office. In the world I have posited, they will be of even greater importance — both to you and to us.

Our Office's emphasis upon policies and procedures is not new. It was a key recommendation of the Haskins and Sells study of the OCC in the early 1970s and the subsequent implementation of revised examination procedures to carry out the recommendations of that study. In the intervening years we have had a number of interesting experiences in persuading bankers that policies and procedures were needed. There was quite some effort from banks and their trade associations to get us to write approved policies for them to adopt. There were a number of enterprising individuals who established sample policy manuals, and sold them to banks, who then adopted them largely as written. And there were a number of banks who established and published policies after careful study and a lot of hard work.

Bank's policies and procedures must be tailored to that institution. To be successful they must reflect the institutional personality. They must comprehend a particular bank's organization, its management, its personnel, its way of doing things, and especially, its institutional approach to decision-making. Otherwise, they are of limited utility and are likely not to be used or followed. Frankly, that was the case all too often with the banks who bought "canned" policies or even those who wrote them just to get the examiners off their back.

The first thing which must be accomplished, therefore, is a management commitment to establishing policies and procedures. The second is requiring adherence to them. This is often our second inquiry in an examination. After establishing that policies and procedures exist we ask if management requires that they be followed. Does it audit performance of officers and employees for this? Does it regularly review and update policies and procedures? And perhaps most relevant to my lead-in today, does management make the establishment of internal policies and procedures the first step in the introduction of a new product; adoption of a new function; or establishment of a new location?

As I have noted, we have resisted suggestions that we write policies for the banks. But I will note for you some areas which, at a minimum, I think a bank's policies and procedures should address — not in any particular order of importance, and not an all-inclusive listing.

- Assignment of the performance of the bank's fiduciary responsibilities to appropriate persons or committees.
- Proper documentation and review of the exercise of fiduciary powers.
- A formal recordkeeping and filing system designed to ensure that complete information is obtained and maintained for each account and kept separate from other records of the bank.

- The avoidance of possible conflicts of interest and self-dealing by the bank, its directors, officers and employees.
- Assurance that trust assets are properly safeguarded under dual control, appropriately segregated and identified.
- A cash management policy governing the investment of fiduciary cash, including temporary placement of funds awaiting investment or distribution and a proper calculation of pledging requirements.
- Fee schedules, including extraordinary charges, and reporting to account parties of fees taken.

These items which I have mentioned are fairly basic organizational matters. In addition, of course, there need to be policies and procedures in several specific areas of activity. Asset administration is a good example, in which a bank's policies and procedures should provide for such items as the following:

- Sound fiduciary investment standards and principles which comprehend governing law, regulations and governing instrument provisions.
- Written investment objectives and comprehensive records for each account being administered.
- A system which ensures that written directions are obtained as needed from authorized parties.
- Standards for performing asset reviews.
- Monitoring the required quantity of investments and documentation and review of investment strategies.
- Proper documentation of investment decisions, including analysis, research, memoranda and other documents necessary to support investment decisions.

As I noted, this listing is not comprehensive. The only distinguishing feature is that I pulled these items from the pages of a recent enforcement action involving a particular bank. In that case, the ones I just read to you were especially relevant. But these are just a few of the necessary elements of an organization's plans to cope with this changing world. And make no mistake — in enumerating for you all the directions from which change is coming, I did conclude in every instance that the result to date was probably no great change for you. You must not let that fact deceive you. The changes which are occurring are significant; they will continue, and their effects will intensify. Unless you take them into account, and plan and manage the response of your institution, you greatly increase the risk that you will not keep pace, and perhaps, not survive.

What I'm saying then, is that the trust business as a part of a banking institution is not going to be revolutionized; but it is going to experience a dramatic evolutionary change. That change is in process. The preeminent emphasis will be on profitability of operation, and flexibility in organization and in the establishment of new products and service lines. These things will require effective oversight of diverse activities, many of which involve a high amount of technical expertise to perform — in other words, which are beyond the understanding of the manager (and the bank supervisor). In these circumstances, we believe the effectiveness of your policies and procedures may well be the key to your success or failure.

Statement of Robert L. Clarke, Comptroller of the Currency, before the House Subcommittee on General Oversight and Investigations of the Committee on Banking, Finance and Urban Affairs, Washington, D.C., June 17, 1986

Mr. Chairman and members of the Subcommittee, I welcome the opportunity to appear before you to discuss the effects of the Deficit Reduction Act of 1985 (Gramm-Rudman-Hollings) on the Office of the Comptroller of the Currency (OCC) and its ability to supervise, examine and generally oversee the operations of the national banking system. As you posed in your invitation, these cuts are affecting OCC's ability to supervise effectively the national banking system. I will explain to you this morning why this is the case.

OCC and G-R-H's Effect on Independence

OCC was organized in 1863 as a self-supporting bureau of the Department of the Treasury under general supervision of the Secretary. It is charged with supervision and regulation of approximately 5,000 nationally chartered banks. It receives no appropriations and operates without any tax monies. The Office is funded entirely from assessments levied on national banks, application fees and investment income.

Congress has recognized how important a sound banking industry is to the well-being of the nation by its early actions and its repeated affirmation, and has attempted to endow the bank regulatory agencies with a measure of independence to protect their decision-making processes. The Comptroller's five-year term of office is an example of this Congressional intent.

Specific statutory grants of authority to the Comptroller, found in 12 U.S.C. § 481 and 482, authorize him to conduct bank examinations as often as he deems necessary and to determine amounts to be assessed and expended for bank examinations. The statute states that these monies "shall not be construed to be government funds or appropriated monies." Consequently, unspent OCC funds cannot be diverted to any other use. Therefore, application of G-R-H reductions to the OCC threatens OCC's effectiveness as a bank regulator and will not result in any impact whatsoever on the federal budget deficit and efforts to control it. The result is not only disturbing but anomalous since the Federal Reserve Board's supervision programs is exempt from the Act.

The Comptroller's Office must have the necessary flexibility to set appropriate levels of supervision for the individual banks and for the industry as a whole. These levels are adjusted from time to time as economic conditions and conditions within the industry change. The quality and amount of supervision must be determined by the OCC's judgment about conditions in the industry.

Industry Conditions Warrant Greater Resources

Since the early 1980s, trends in the nation's financial system have made OCC's mission more challenging, demanding not only more but also more efficient use of available resources. Those trends include increased pressures on the national banking system; and continued growth in the national banking system.

Increased pressures on the national banking system

It is widely understood that the banking system is under pressure. Last year, of the approximately 15,000 commercial banks, 118 banks failed, the most in any year since the Great Depression. Thirty of the 118 were national banks supervised by OCC. At least that many failures are expected in 1986. As of last Friday, 57 banks had failed of which 21 were supervised by OCC.

The pressures on the industry, however, extend beyond the number of bank failures. For the industry as a whole, profitability is declining. Although the majority of the banking industry continues to generate adequate earnings, there is a growing minority of commercial banks with earnings that can only be characterized as poor. For the 4,500 national banks with assets of less than $300 million, the average return on assets has declined in each of the past six years. For the largest national banks, earnings have been flat over this period. The number of national banks with losses has risen dramatically. In 1980, 3 percent had losses; in 1985, 16 percent had losses.

These pressures have significantly increased the demands on OCC resources. The number of national banks receiving special supervisory attention has quadrupled since 1980. Currently, 21 percent of all national banks, with 25 percent of national bank assets, are receiving special supervisory attention. The resources needed to supervise the national banking system are greater now than at any time in the last 50 years.

Continued growth in the national banking system

The national banking system has grown both in number of banks and in assets. In 1979 there were 4,400 national banks, today there are approximately 5,000, and the number is still growing. In 1979 total national bank assets were $996 billion, while at the end of 1985 they totaled $1.6 trillion.

To meet the increased demands of supervision and regulation within the limits of available resources, OCC has pursued the strategy adopted in 1981 designed to utilize technology and innovative procedures for off-site monitoring of bank performance. As a result, resource intensive on-site examinations can be directed at the institutions that present the greatest risks to the safety and soundness of the entire banking system. As part of our 1986 supervisory plan, for instance, we decided to forego on-site examinations at 1,200 community national banks that had been identified through off-site analysis as posing the least risk to the banking system.

Despite OCC's best efforts, the OCC simply needs more examiners because of the increased number of banks and the overall condition of the national banking system. The need for additional examiners was recognized by the Treasury Department which requested 150 additional full-time equivalents for OCC in FY 1987. That increase was proposed in the President's 1987 budget and demonstrates the Administration's commitment to addressing the problems.

Operational Effect of Gramm-Rudman-Hollings Reductions

The impact of the actual Gramm-Rudman-Hollings reductions in FY 1986 is two-fold. First, the reductions restrict expenditures for programs and projects necessary to fulfill OCC's supervisory strategy. This strategy was developed to allow OCC the flexibility to meet the continually increasing supervisory demands of a troubled industry through increased, less resource-intensive off-site analysis and minimize increases in staff.

Second, the 4.3 percent sequestration for FY 1986 has resulted in staff reductions below levels prudent to meet targets, in spite of our effort to reduce expenses without reducing personnel. In FY 1986, staff reductions due to Gramm-Rudman reductions will result from a hiring freeze combined with attrition. Depending on the magnitude of a possible 1987 sequestration, it could significantly affect our ability to hire new examiners, or, it could result in further staff reductions.

OCC's supervisory mission will be frustrated in the future as today's reduced or eliminated recruitment, hiring, and training restricts the number of trained examiners available in the future to fill commissioned examiner positions.

OCC's Supervisory Approach

OCC's supervisory approach encompasses all supervisory efforts, both on-site examinations and off-site analyses. It considers all aspects of banking, not just asset size and bank composite rating, in determining risk to the national banking system. This approach is dynamic and focuses on prospective condition, allocating our limited resources based upon a hierarchy of risk.

Current Resource Usage

OCC is a people-intensive organization primarily composed of examiners, 80 percent of which are involved in bank supervision. The majority of its costs, 88 percent, are either staff related, *i.e.*, salaries and benefits, travel related to examinations and requisite training, or fixed, *e.g.*, office space and equipment, telephone and postage. Other expenses arise from investments in projects required to fullfill OCC's supervisory strategies or programs designed to promote stable employment. Further sequestration could prove problematic.

OCC's investment in its employees is substantial. The bank examiner position is an apprentice occupation. It costs OCC more than $30,000, exclusive of compensation, to train an examiner to become a commissioned National Bank Examiner by the fifth or sixth year of employment. Once trained, the examiners are in great demand by the financial industry. As a result, OCC experiences a substantial turnover rate, averaging about 14 percent over the past five years. Turnover is particularly acute in geographical areas where severe industry problems exist, such as the Midwestern and Southwestern Districts. Currently, we retain many of our employees by providing programs and incentives to produce an attractive career environment. Curtailment of these programs and incentives can be expected to result in higher turnover and the further loss of our experienced examiners.

Because of OCC's high turnover rate, we must keep up a steady proccess of recruitment and training. When that process is interrupted as it was this year by G-R-H, it becomes a problem for us several years in the future when the experienced examiners are in short supply.

A reduction in experienced examiners will increase current and future resource requirements of OCC because supervision procedures performed by less experienced examiners generally require more time and, in addition, our experienced examiners will have to be diverted in order to train new employees. It will be difficult, if not impossible, to catch up

OCC's supervisory strategy requires investment in both facilities and automation. Off-site supervision relies on bank financial data, generated from sources such as the bank call reports and analyzed through supervisory information systems, to determine the degree of bank stability and to pinpoint particular areas of weakness. On-site activity is then focused on these specific areas of concern.

Although off-site supervision reduces resource needs and travel costs, space must be provided for examiners to work (where previously they had performed most of their work in banks and needed no permanent offices), and information systems must be designed, implemented and maintained to provide the tools for their analytical efforts. Curtailment of facilities and automation will inhibit our future supervisory efforts or increase resource demands because we cannot achieve the efficiencies inherent in our off-site strategy.

FY 1986

Although OCC maintains that it should not be subject to Gramm-Rudman-Hollings, it has adopted a program to reduce expenditures in FY 1986. This program was based on three tenets:

1. To maintain supervisory resources at the highest possible level;
2. To minimize the impact on current employees to avoid an increase in turnover and the loss of experienced examiners; and
3. To maintain minimal investment in programs that provide future cost savings or efficiencies in resource usage.

All projected expenditures were evaluated in the context of these guidelines. However, the G-R-H mandated reductions are so significant that only 60 percent of the reductions can be achieved by reducing non-personnel related expenditures.

To meet Gramm-Rudman-Hollings targets, OCC chose to reduce staff resources through the implementation of a hiring freeze and, potentially, through furloughs, the least harmful ways to achieve personnel cost savings. A recent analysis of the staff reduction which resulted from our hiring freeze indicates that:

- The freeze will reduce the number of field examiners in bank supervision by 275 during FY 1986. This constitutes 12 percent of our field examining force. In Washington, the freeze will result in a reduction of 73 employees, or 11 percent of headquarters staff.
- Approximately 700 community national banks, or 14 percent of the national banking system, will not receive planned on-site supervision in 1986.
- Of these 700, over 100 are community banks that have been identified as likely to suffer a deterioration in their financial condition will not receive planned on-site supervision in 1986.

Note that the 700 community banks are in addition to the 1,200 community banks not planned for on-site supervision in 1986. The on-site supervision program for community banks has been curtailed to direct our limited resources to areas of higher risk.

Conclusion

The Gramm-Rudman-Hollings reductions for FY 1986 are currently hindering the OCC's efforts to achieve fully our supervisory mandate at a time when the banking system is subject to significant pressures. Although the 1986 cuts are manageable, future cuts, if required, will severely impair our ability to supervise national banks. Accordingly, the Administration favors Congress reconsidering the applicability of Gramm-Rudman-Hollings to the bank regulators for 1987 and beyond.

Congress has always taken very special care to insulate the bank regulators from forces that run contrary to our primary mission of fostering the safety and soundness of the national banking system.

Funding is not the problem. OCC receives no tax monies and is funded entirely by user fees. To carry out its mission, the OCC must be able to spend, from its own funds, the amounts necessary to respond to changing conditions in the banking industry. We should not be subject to arbitrary, across-the-board cuts in spending levels.

Statement of John F. Downey, Chief National Bank Examiner, before the House Subcommittee on Commerce, Consumer and Monetary Affairs of the Committee on Government Operations, Washington. D.C., June 17, 1986

Mr. Chairman and members of the Subcommittee, I welcome this opportunity to appear before you to discuss the Office's capital forbearance policy for banks experiencing serious problems because of loans to the agricultural and oil and gas sectors.

Troubled Agricultural and Oil and Gas Sectors

As you know, the past few years have proven to be a particularly difficult period for banks that lend primarily to the agricultural and oil and gas industries. About 870 of the almost 5,000 national banks are considered agricultural and/or oil and gas banks. Of these 870 banks, 241 suffered losses in 1985, up from 195 in 1984 and 139 in 1983. About one-sixth, 146 banks, were considered problem banks. However, due to the historically high levels of capital these banks maintained, only 15 of the national agricultural/oil and gas banks had primary capital ratios, as of yearend 1985, below the 5½ percent threshold established by the OCC through regulation as the minimum level for well-managed banks.

Severe financial pressures on borrowers dependent on the agricultural and oil and gas sectors have resulted in an increase in loan delinquencies. As conditions worsen, borrowers increasingly fear foreclosure, while bankers become increasingly concerned about supervisory actions that may result from a reduction in their bank's capital as a consequence of loan losses. And, as we have seen, creditor foreclosures in troubled sectors often result in abnormally high losses due to the depressed prices the collateral will bring in the marketplace.

The persistent downturn in the agricultural and energy sectors of the economy during the 1980s has placed pressure on capital at many agricultural and energy banks. Many of these banks fear that additional loan charge-offs could cause regulators to require them to raise more capital. As a result, some banks have been reluctant to restructure loans or grant other concessions to borrowers that could trigger regulatory responses. Agricultural and oil and gas banks tend to have less diversified asset portfolios and a greater dependence on their local economies than other banks. These banks are aware that any decline in capital would be of particular concern to regulators. In addition, banks have been reluctant to reduce capital because it is the basis for determining the amount that a bank can lend to any one borrower. Lower capital levels result in lower lending limits for all borrowers at the bank, including sound, profitable borrowers.

Despite the difficult problems facing many agricultural and oil and gas banks, we believe that most have sound prospects for the future. Even with the losses suffered by these banks and the likelihood that losses will continue to occur, these banks retain substantial strength. Over 92 percent of the national agricultural and oil and gas banks had primary capital ratios above 7 percent, as of yearend 1985; over 38 percent of them had primary capital ratios above 10 percent. It continues to be our view that the most beneficial thing that we can do for agricultural and oil and gas banks and their borrowers during this difficult but transitional period is to ensure that they have the opportunity and incentive to work together to achieve mutually satisfactory loan workout plans.

Accordingly, this Office, in conjunction with the Federal Deposit Insurance Corporation and the Federal Reserve Board, instituted supervisory policies that would give banks the tools and the encouragement to restructure problem loans. On March 28, 1986, the Comptroller issued a five-point program contained in Banking Circular 212:

- First, we again encourage banks to enter into work-out plans with their borrowers who are experiencing temporary difficulties;
- Second, we repeated our prior encouragement to banks that they familiarize themselves with the opportunities afforded by Financial Accounting Standards (FAS) No. 15. Under FAS 15, a bank need not recognize any loss on a restructured loan when the expected payments, principal and interest combined, equal or exceed the loan amount on the bank's books prior to the restructuring;
- Third, we modified the reporting requirements for restructured loans so that restructured loans being paid in accordance with the modified terms are not longer categorized as problem loans. Previously, all restructured loans were reported with problem loans;
- Fourth, we instituted a capital forbearance policy that allows well-managed banks whose capital falls significantly below prescribed levels, as a result of problems in the agricultural and oil and gas sectors, up to 7 years to restore capital; and
- Fifth, we amended the rules that limit the size of loans relative to capital that banks can make to a single borrower. For banks suffering reduced capital as a result of agricultural and oil and gas loan losses, we increased the general lending limit from 15 percent of capital to a maximum of 20 percent of capital.

The Office sent Banking Circular 212 to all national banks and to agricultural trade groups. Our District and headquarters officials have met with numerous groups of bankers and farmer organizations, not only in Washington, D.C., but also in locations around the country convenient to those most interested in our policies. We have been quite active in explaining the program and encouraging banks to let us know whenever our forbearance is appropriate. As Comptroller of the Currency Robert Clarke has advised our District officials, we will "look for opportunities to grant forbearance, not deny it."

Effect of Policies on Loan Customers and Communities

The Office's five-point program is expected to provide national agricultural and oil and gas banks with the incentives and the time to meet the needs of the borrowers and communities that they serve. The program encourages banks to enter into work-out plans with their agricultural and energy borrowers who are experiencing temporary difficulties. Such encouragement should increase the likelihood that loan restructurings are arranged, reduce borrowers' debt service requirements, and keep forclosures to a minimum.

Banks are encouraged to make use of FAS 15, which was adopted by the accounting profession in 1977, to account for restructured debt. FAS 15 can, under certain circumstances, be used to account for concessions in financing terms (*i.e.*, reduction of either principal or interest) granted to borrowers experiencing financial difficulty without requiring the lender to record any losses. FAS 15 applies to restructurings of loans in any industry, not just agricultural or oil and gas loans. In order to promote loan restructurings, revisions are being made to the Call Report treatment of restructured debt so that restructured loans being paid in accordance with their new terms are reported independently of problem loans. It is expected that encouraged use of generally accepted accounting principles, such as FAS 15, and new reporting requirements for restructured loans, will increase the likelihood that banks will be more willing to restructure problem agricultural and oil and gas loans.

Probably the most significant aspect of the Office's five-point program to assist troubled agricultural and oil and gas banks is the capital forbearance policy. The minimum primary capital ratio established by regulation is 5½ percent of total assets for well-managed banks. The banking agencies require each bank to maintain capital, above the 5½ percent threshhold, adequate for its particular circumstances, including, as in the case of troubled agricultural and oil and gas banks, its level of weakened assets and its limited diversification of risks.

Bank regulators monitor capital levels to assess the strength of an individual bank. Under the capital forbearance policy, the OCC will not take action to enforce minimum capital requirements on a bank whose primary capital ratio declines below the threshhold level of 5½ percent, to no less than 4 percent before December 31, 1987, provided the bank meets the following qualifications and conditions:

- The bank must have agricultural and oil and gas loans that, in the aggregate, are equal to or greater than 25 percent of the bank's total loans and leases, net of unearned income;
- The weakened capital position of the bank must be largely the result of problems in the agricultural and/or oil and gas sectors of the economy;
- The bank must be well-managed;
- The bank must submit an acceptable plan for restoring capital to the minimums required by January 1, 1993; and
- The bank must commit to file annual progress reports regarding compliance with its capital plan.

Furthermore, on a case-by-case basis, this Office will consider applications for capital forbearance from banks with primary capital ratios lower than 4 percent from banks that do not meet the definition of an agricultural/oil and gas bank but nevertheless are suffering capital declines due to problems in the agricultural and oil and gas sectors.

The Office's capital forbearance also extends to well-managed agricultural and oil and gas banks whose capital falls well below historical levels as a result of losses from those sectors of the economy, yet remains above regulatory minimums. These banks will not be subjected to regulatory actions solely on the basis of that decline in capital, as some believed they might have been in the past. We expect that the number of banks fitting this description far exceeds the number whose capital falls below regulatory minimums. As of yearend 1985, only 15 national agricultural and oil and gas banks had a primary capital ratio below the regulatory minimum of 5½ percent, but 241 of the approximately 870 national agricultural/oil and gas banks suffered losses that year.

The capital forbearance policy enables banks to recognize loan losses and restructure problem loans with the ability to operate temporarily with lower levels of capital than otherwise would be appropriate. Capital forbearance is a significant regulatory policy intended to assist troubled oil and gas and agricultural banks through a difficult economic period. Bankers' recognition of regulators' willingness to grant forbearance, rather than a perception that regulators always take enforcement action against declining capital levels, is expected to improve the opportunities for borrowers to seek and receive restructured loan terms.

Furthermore, it is our hope that the capital forbearance plan will encourage banks to take advantage of the Farmers Home Administration's (FmHA) guarantee programs. Under such programs, FmHA typically guarantees a percentage of a renegotiated loan on which the bank has made interest and/or principal concessions sufficient to enable the borrower to service the restructured debt. Because of our capital forbearance policy, loan write-downs could qualify loans for such FmHA programs, but would not trigger a regulatory requirement for prompt capital restoration. Therefore, to the extent that the capital forbearance policy increases participation in FmHA guarantee programs, borrowers will have increased opportunities to work their way out of current problems.

In addition, the Office's increase in the lending limit helps banks continue lending to their local communities despite the fact that loan losses remain high. As a result of the increased lending limit, banks will be able to continue to meet the financial needs of their communities throughout the downturns in agriculture and oil and gas.

When bankers anticipate regulatory enforcement action, they feel pressure to look for short-term solutions to problem loans. Short-term solutions can often be drastic. But, when bankers are aware that their regulators are going to look at long-term solutions to bankers' problems, bankers have more opportunities to look at long-term solutions to their borrower's problems. We believe that our capital forbearance policies — our enforcement posture, support for GAAP accounting, reporting changes, and lending limit changes — all remove impediments that bankers faced in dealing with their troubled borrowers.

Requests for Capital Forbearance

The success of the capital forbearance policies in meeting their objectives are, of course, dependent on actions bankers undertake. Our capital forbearance policies were introduced on March 28, 1986, and therefore, have been in effect about two months.

Our records show that as of yearend 1985, about 870 national banks met the definition of agricultural/oil and gas banks as defined for purposes of our capital forbearance policies (*i.e.*, had aggregate agricultural and oil and gas loans equal to or greater than 25 percent of the bank's total loans and leases, net of unearned income).

Almost half, 405, are in our seven-state Midwestern District; 207 are in the Southwestern District; 166 are in the Central District; 81 are the Western District; 4 are in the Southeastern District, and 3 are in the Northeastern District.

As of early June, we had received 14 requests that we grant capital forbearance. Each of the 14 banks was subject to a formal, enforceable regulatory action at the time that it made its initial written request. Some of the initial communications did not provide sufficient information for the OCC to make a decision, and where appropriate we have sought additional information. A description of the current status of the 14 cases is set forth below.

Capital Forbearance Requests

District	*Primary Capital Ratio*	*Status as Ag/Oil & Gas Bank*	*Status*
Southwestern	4.25%	Not determined	Pending
Southwestern	6.58%	Not determined	Pending
Southwestern	6.05%	No	Denied
Southwestern	5.82%	Agricultural	Approved
Southwestern	6.57%	Agricultural	Approved
Southwestern	Negative	Not determined	Bank failed
Central	5.49%	Agricultural	Pending
Central	7.85%	Agricultural	Pending
Central	4.50%	No	Withdrawn
Midwestern	5.42%	Agricultural	Pending
Midwestern	7.60%	Agricultural	Pending
Midwestern	6.30%	No	Pending
Midwestern	3.71%	Agricultural	Approved
Midwestern	6.25%	Agricultural	Approved

The one bank that was denied some form of capital forbearance was neither an agricultural nor an oil and gas bank. Its problems were not attributable to problems within the agricultural or oil and gas sectors. The bank has not been well managed, it had longstanding, chronic capital problems, and its management and board of directors had not paid adequate attention to the bank's capital adequacy. The bank is presently subject to a cease and desist order.

Our meetings with various bankers in the Midwest and Southwest, and with the ABA/IBAA Agricultural Task Force, lead us to believe that there are many bankers who were hesitant to make the judgment call that certain loans should be written off, solely because they feared that their regulators would respond with a request for additional capital. These banks may have capital ratios at or above 9 percent and were anticipating writing off enough loans to drop their capital ratios down to perhaps 6 percent. They were concerned that such a capital decline would prompt the regulatory agencies to demand that capital be restored toward historical levels within a matter of a few months.

The capital forbearance policy makes clear that well-managed agricultural/oil and gas banks in that situation have nothing to fear. Banking Circular 212 states that we will not take an enforcement action solely on the basis of such a decline in capital. Bankers are encouraged to recognize their losses, work with their borrowers, and make long-term plans to ensure adequate capital. This Office's capital forbearance policies support those efforts.

Monitoring Capital Forbearance Policy Implementation

You asked us specifically to advise the Committee of our efforts to monitor the capital forbearance policies. This monitoring takes many forms. For example, the Office is monitoring action on specific requests for capital forbearance at the District office level. Potential applicants require time to verify the eligibility, to develop plans for restoring capital by January 1, 1993, and to submit applications.

We are monitoring banks whose capital declines through our normal examination and supervisory processes. Our Washington, D.C. headquarters also monitors District treatment of such banks during our periodic quality control reviews of their compliance with nationwide policies. In addition, we will be able to monitor the impact of the lending limit changes through an analysis of information to be submitted by banks in the revised call reports, after their June 30, 1986, implementation.

Last but not least, we expect to receive feedback from the banking industry and farmer organizations on the effectiveness of our policies. These groups were instrumental in bringing the extent of problems and a variety of possible actions to our attention before we issued Banking Circular 212, and we are certain that we will hear from them if additional actions are desired.

Conclusion

We believe that the regulatory policies contained in our five-point program will provide agricultural and oil and gas banks with the incentives and the time needed to address asset quality problems in an orderly manner, to meet the needs of the borrowers they serve, and to help rehabilitate both the borrowers and the bank. It is only by identifying their losses and restructuring credits that these banks will be able to improve the quality of their portfolios, and regulators' capital forbearance policies are a key ingredient in enabling banks to do so.

Remarks by Robert L. Clarke, Comptroller of the Currency, before the Annual Convention of the New Mexico Bankers Association, Santa Fe, New Mexico, June 21, 1986

In my seven months as Comptroller of the Currency I've become convinced that bank supervision is much more of an art than it is a science. Why? As with painting, drawing and sculpture, so much of bank supervision revolves around perspective, point of view, the way things are approached. There is generally more than one perspective on anything.

Many years ago, Moses discovered how important perspective in decision making can be when he found himself and his band of followers being pursued by enemy soldiers toward the shores of the Red Sea. Upon arriving at those shores, Moses — who had some previous experience with the seemingly impossible and was receiving guidance from sources which may be unavailable to the banking industry — called together his advisors to get their advice on what he was about to do. Being a wise leader, he counted among his advisors a lawyer, a physician, an engineer, and, of course, a public relations agent.

He proposed to the group a somewhat revolutionary plan to part the waters of the Red Sea and lead his followers to a clean getaway. Then he turned to the advisors for their responses.

The engineer spoke first and pointed out that, of course, the wall of water created on each side of the passageway would have no support, would be structurally unsound and would be likely to fall in on the escapees at any time — and he advised against the idea.

Turning next to the physician, Moses was advised that the mud at the bottom of stagnant bodies of water contains bacteria and disease which would surely be transmitted to the fleeing multitudes and strongly urged against the venture.

Lawyers, as you know, always practice the art of the possible. So believing that he would surely get some encouragement from his lawyer, Moses turned to him. But no, the lawyer had quickly noted that parting the waters would create a rise in the overall water level of the sea — surely flooding all property owners located at the water's edge and creating massive potential class action liability. "Don't take the risk," he said.

Finally, feeling somewhat frustrated and seeing dust clouds on the horizon from the pursuing enemy, Moses turned to his public relations agent. "Well boss," the agent replied, "I've listened to all of these other advisors, and I don't know whether you can do it, or whether you ought to do it. But if you can do it, I can get you three pages in the Old Testament!"

There are two ways that bank supervisors can approach their job. The first is to look at supervision as a system of rules and regulations that banks must follow — and to stop there. No one doubts that rules and regulations are necessary. Banks deal with large amounts of other peoples' money, so there must be regulation to insure not only that banks deal with it honestly, but also that they do not take unwarranted risks with the funds entrusted to them. In recognition of this need, bank regulation is ingrained in our political system and is universally accepted.

If bank supervisors stop here, however, there is the danger that bank supervision will ultimately become sterile and intimidating. And, in the process, it may become counterproductive by sparking misunderstanding on the part of the object of supervisory efforts.

The second way bank supervisors can approach their job starts with the rules and regulations where the first approach stops. It adds to those rules and regulations another — and I believe crucial — element, judgment: judgment as a factor on both sides of the regulatory equation, judgment on the part of the supervisors, and judgment on the part of the supervised.

As a first step toward this second approach, we supervisors must ask ourselves: What is our objective? Is it to ensure compliance with our rules and regulations? Yes — but only as far as these rules and regulations are a means to a greater end.

That greater end is the safety and stability of the banking system. By maintaining that safety and stability, we instill public confidence in the banking system, which in turn is an invaluable resource for bankers. In crafting regulations and policies to maintain safety and stability, bank supervisors must then use our judgment to insure that the rules don't become overly restrictive and that the opportunity for dialogue among the supervisors and the supervised remains open.

Another way to view the two approaches to bank supervision would be to look at the first approach as "policing" and the second as "doctoring." I clearly favor the second approach.

The analogy between bank supervisors and physicians is an apt, though not complete, one. Because doctors are scientists and artists — not divine beings — there are limits to what they can do. Sometimes their patients are disappointed as doctors cannot perform miracles. Many people, however, consult doctors for advice on how to manage their lifestyles to increase their potential and their performance by doing the right things: diet, exercise, rest. True, the bank supervisor can be the doctor who pulls the plug after the vital signs of the patient indicate a cessation of life. We never cause a bank's demise, but are always a witness to it. But the supervisor can also be the health consultant who dispenses advice on increasing vitality and vigor. When necessary, the supervisor as doctor formulates a treatment to meet those goals — a treatment that can range from increasing weight in the form of capital or loan loss reserves to types of major surgery such as removal of management — but a treatment is always designed with the best interest of the patient in mind.

To carry the analogy a bit further, the fact is that many sick banks do return to full financial health, most often as a result of cooperative efforts between bank management and bank supervisors. In 1984, 123 banks moved off our Office's list of banks requiring special supervisory attention. In 1985, another 139 returned to full health. I liken our special supervisory efforts to an intensive care unit. And I believe these recovered banks are a basic measure of the OCC's success — along with the thousands of banks that don't make the problem list to begin with.

What determines whether the bank supervisor acts as police or physician? What determines whether the supervisory effort is aimed primarily at ensuring compliance or fostering preventative medicine?

Bankers, for the most part. For supervisors to be able to use their judgment, bankers must first use their own. Regulation is no replacement for good management. It's major virtue is that it helps contain the damage from bad management. But if bankers don't evidence good management, bank supervisors must and will concentrate on damage containment.

Recently, I came across a sterling example of what I consider to be a lack of good judgment in bank management. The *American Banker* a couple of months ago published a profile of two banks — and the bankers who run them — in Littlefield, Texas, a town of 7,400 people about 400 miles north of Lubbock. In the article, the chairman of one of the banks — a national bank — discussed how he approaches the business of banking and I disagree with about everything he said.

He said: "If an old boy comes in here and wants a loan, we might go out and get drunk, and we're friends. That's how I know whether to make a loan or an exception. I don't get a financial statement, but I know the old boy. I know what corner the barn's on and I know which way the door opens. I don't need a financial statement. I already know what it is. A lot of banks have formal meetings of their lending officers, but we just get together and talk. The national bank examiners strongly recommend you have a written loan policy. We just don't do it. I know what the loan policy is. That turns the bank examiners six ways to hell," he concluded.

I can understand why. The customers he works with may have tremendous personal integrity and, all things being equal, will endeavor to repay their loans. But all things may not be equal. The customers may be overextended in debt to other lenders or have other commitments. They may have other cash flow problems. The analysis of a financial statement would reveal these factors, which otherwise might go undiscovered.

Furthermore, formal loan policies, a loan committee, and an internal review process are not just fancy window dressing for the credit extension function — they form a fundamental system of checks and balances for that process. They are a check for the pressure on bank management to extend credit to make the institution grow. A formal loan committee — including outside directors — can ask management the devil's advocate-type questions that ensure management has the right answers. An internal review process can ensure that credit extension is based on objective factors — such as sufficient collateral — not just personal relationships. They balance the management's understandable desire to serve the market against the needs of the lending institution.

For 11 years, I served on a loan committee myself — a committee that met once a week — and from my personal experience I can say that these devices work in the best interest of the lending institution.

The purpose of requiring financial statements from borrowers — the purpose of formal loan committee meetings — the purpose of a written loan policy — the purpose of all these tools — is to monitor and maintain control of the internal workings of a bank. Together and with other such tools they form an early warning system to problems. Together and with other such tools they grant bankers more control over problems when they do arise. In good times, a bank can possibly survive without them. In bad times, however, without them bankers are adrift. And banking is no longer the kind of business where, in good times or in bad, bankers can prosper by drifting with the current.

It seems to me that bankers today must take control of their own destiny. Let me ask the question: suppose there were no regulators? It's your stockholders, your capital, your job and your reputations that are at risk. What would you do to protect yourselves by way of assessing risk, providing capital, opting out of an unprofitable business and on and on? Ideally, this should be the principal function of bank management — not bank regulators.

The good managers are the ones who will stay ahead of the game — implementing the systems of internal control, using early warning systems, establishing adequate reserves and capital, and the like. The bank supervisors' role should be to focus on these internal processes — checking to see whether policies are working or not working. Obviously, we can only focus on internal processes if they are there. Bank supervisors should deal with those institutions that, for reasons of errors in judgment or simple bad luck, have fallen into a position of abnormal risk. Supervisors should not make the important decisions for banks. Bankers should make the important decisions for banks. And I believe those decisions should be made for what is best for the bank in the long run. For many bankers, that will mean avoiding the temptation toward management by quarterly expectations — the "what did you do for me this quarter" syndrome. But if bankers are to take control of their own destiny, then the first step is for bankers individually to have a destiny in mind.

The time has never been more right to transform banking supervision into a more consultative relationship with the supervised. There is a simple reason why. In responding to the evolution of the financial services marketplace, the banking system is changing, the business of banking is changing and bank supervision must change, too. In an earlier, simpler time, bank supervisors could act as a police force for the banking system and stop there because the stability of the system was a given. In that stable world, if a banker followed the rules, success was practically assured. It was a world in which there were right answers and wrong answers. Today, banking is much more difficult. There can be many wrong answers, but there are fewer and fewer standard right answers that can be relied upon on all occasions. As a result, bankers have a need for objective, professional advice. Bank supervisors can give that type of advice, that needed direction. With a slight shifting of perspective, I believe that bankers can come to see their supervisors even more as one of their more important advisory resources.

If you don't agree with the advice — the direction — you have been given, I urge you to seek a second opinion. In the case of special project banks, you can turn to the district offices. And we've established field offices so that bankers from healthier institutions won't feel they have no recourse — no court of appeals — if they are faced with examination results they don't agree with. These field offices are staffed with senior agency officials who have the responsibility of reviewing your disagreements. They have been freed from day-to-day examination responsibilities so that they have the time and other resources to devote to a review. This doesn't mean that bankers should appeal every nitty-gritty problem they have — but if you have a major grievance you never have to feel hesitant or reluctant to air it with the agency.

If I could leave you with one thought today it would be the one Preacher Knight, for many years a bank examiner in Texas, carried with him on his duties: "Every day is Judgment Day. Use some today." Use some today and take those internal actions that sum up good management. Use some today and bank supervision can become less a matter of cleaning up from yesterday and become more a matter of helping you plan for tomorrow.

When the voters of Britain returned Winston Churchill to 10 Downing Street in 1951, he soon scheduled a trip to inspect the N.A.T.O. defenses. On his way by plane to meet the head of Cyprus, Archbishop Makarios, Churchill asked his Defense Minister, Harold Macmillan, what kind of man the Archbishop was. "Is he," Churchill asked, "one of those priestly ascetics concerned only with spiritual grace or one of those crafty prelates concerned rather with temporal matters?"

"Regrettably," replied Macmillan, "the Archbishop seems to be one of the latter."

"Good," replied Churchill, rubbing his hands, "we can work together."

Because we share common concerns, because we have a community of interest, I have no doubt that we can work together, too.

Statement of Robert R. Bench, Deputy Comptroller of the Currency, before the Senate Subcommittee on International Finance and Monetary Policy of the Committee on Banking, Housing and Urban Affairs, Washington, D.C., June 25, 1986

Mr. Chairman and members of the Subcommittee, I am pleased to have this opportunity to discuss the International Lending Supervision Act (ILSA) as well as its impact on international lending practices and the international debt situation.

In my statement this morning, I will begin with a brief review of international lending currently being done by U.S. banks. That will be followed with an update on the implementation of the various components of ILSA. Finally, I would like to discuss the progress that has been made by U.S. banks and debtor countries in strengthening their positions vis-a-vis international debt.

Current International Lending by U.S. Banks

U.S. banks reported holding $312 billion in cross-border, non-local currency claims (transfer risk) as of December 31, 1985. That amount represents 11 percent of the total assets in the U.S. banking system as of that date.

These international exposures are concentrated in a relatively small number of U.S. banks.

Nine Money Center Banks	$181 billion	58%
Fifteen Other Large Banks	61	20%
173 Other Banks	70	22%
	$312 billion	100%

Seventy-four percent of the lending is to foreign banks and private sector borrowers, while sixty-six percent is short-term.

Foreign Banks	$147 billion	47%
Private Sector	84	27%
Governments and Agencies	81	26%
	$312 billion	100%

Under One Year	$206 billion	66%
One to Five Years	69	22%
Over Five Years	37	12%
	$312 billion	100%

About $100 billion, or one-third, of the lending has been made to developing countries.

Developed Countries	$178 billion	57%
OPEC & Developing Countries	120	39%
Banking Centers and Multilateral Institutions	10	3%
Eastern Europe	4	1%
	$312 billion	100%

Progress in Implementing ILSA

On May 30, 1984, the federal banking agencies reported to the Congress on their actions to implement uniformly the provisions and Congressional intent of ILSA. That implementation continues today, as the agencies regularly review and modify their programs in light of experience. We continue to believe that ILSA provides a sound legislative framework for supervising international lending and no amendments or additional legislative authorities are recommended at this time. ILSA and the supervisory policies that implement it affect many banks' lending practices.

Under ILSA, U.S. banks have been required to report comprehensively their international exposures quarterly. These reports include data on the banks' largest exposures, which we now disclose under certain circumstances to the public on request. This year, we strengthened the reports by requiring improved data on banks' international risk distribution, trade credits of off-balance sheet activities. As a result of ILSA, more frequent, accurate, and useful information about U.S. banks' international activities is now available to bank management, bank supervisors, the markets, and the general public.

ILSA imposed new fee accounting and loan documentation requirements. During the past two years, U.S. banks continually have rescheduled many international loans and selectively made new project loans in certain countries. We know of no case where the related fee accounting and loan documentation requirements of ILSA were an impediment to these activities.

ILSA provided more useful tools for supervisory evaluation of U.S. banks' foreign country exposures and the integration of those evaluations into supervisors' overall assessment of each bank's condition and capital adequacy.

- Since the passage of ILSA, the banking agencies have instituted through the Interagency Country Exposure Review Committee (ICERC), a new series of risk categorizations for transfer risks in U.S. banks' portfolios. For transfer risks categorized as "Value Impaired" by ICERC, the agencies have mandated Allocated Transfer Risk Reserves.

- Those ICERC categorizations have been integrated into overall supervisory assessments of U.S. banks; discussed in the agencies' meetings with boards of directors; and, factored into supervisory calls for more reserves and capital at several banks.

ILSA contains a number of provisions that support supervisory efforts to ensure that U.S. banking institutions maintain adequate levels of capital. Under those provisions, we, together with the Federal Reserve and FDIC, adopted in early 1985 uniform minimum capital requirements for all commercial banks. We also sent to all national banks in 1985 a banking issuance emphasizing the importance of maintaining an adequate allowance for loan and lease losses. The circular pointed out the importance of developing a process for evaluating the uncertainties in international lending that incorporates both credit risk and the potential for transfer risk problems.

- As a result of these initiatives, U.S. banks have considerably increased their capitalization and in so doing reduced their vulnerability to international debt. Since 1982, primary capital has risen $19 billion in 24 of the largest U.S. banks engaged in international lending and over $25 billion in the consolidated holding companies of those banks. Primary capital/asset ratios for these banks improved from 4.9 percent to 6.6 percent over the same period. This growth in capitalization includes a $3.7 billion increase in loan loss reserves.
- Overall, this growth in capital, notwithstanding modest additional lending to troubled debtor countries, has significantly lowered U.S. banks' vulnerability to the international debt situation. For instance, since 1983 the nine money center U.S. banks have decreased their Latin American exposure as a percent of capital from 163 percent to 124 percent, while the 15 other large banks have decreased their exposure in Latin America from 117 percent of capital to 71 percent of capital. Capital exposures to all developing countries decreased since 1983 from 209 percent to 148 percent for nine money center banks and from 153 percent to 104 percent for the 15 other large banks.

ILSA also empowered the OCC to issue and to enforce capital directives requiring a bank to increase its capitalization. This authority is a useful supervisory tool and has been used in cases where a bank's level of capital is an immediate and overriding concern.

Finally, the Federal banking agencies have been making concerted efforts since ILSA to enhance cooperation within the international supervisory community and to make it stronger. We have expanded our participation in multilateral groups to develop a more compatible international supervisory framework for international lending, in areas such as capital measurement, capital adequacy, and off-balance sheet risks. For example, the three agencies are hosting the regular June meeting of the "Cooke Committee" this week in Washington. Bilaterally, we have expanded our contacts and technical assistance to foreign supervisors. This includes working with countries to strengthen their supervisory systems as part of their overall economic adjustment programs. Communication between international groups of supervisors, accountants, and bankers also has been expanded in an effort to better understand accounting and supervisory systems in relation to various financing alternatives being proposed to assist debtor countries.

ILSA In a Broader Context

In addition to the improved supervisory framework provided by ILSA, debt rescheduling and modest new lending arranged collectively by creditor and debtor governments, multilateral institutions and commercial lenders, have also contributed to strengthening the international financial system. Since 1982, the IMF has lent approximately $34 billion to 72 countries including $13 billion to Latin America. As part of that collective effort, commercial banks worldwide since 1982 have rescheduled or rolled-over about $200 billion of developing country debt and have provided roughly $28 billion in new loans to certain LDCs. Overall, these reschedulings and new money packages, linked to economic adjustment by the countries themselves, have enabled many debtor countries to improve their exchange-rate, trade, and liquidity positions, restructure their debt maturities, maintain debt service, and provide a foundation for economic growth.

In addition, policies in the industrial countries succeeded in dramatically lowering interest and inflation rates. A recent movement toward compatibility of policies appears to have led to a better alignment of exchange rates and rates of economic growth. This has provided developing countries with the most favorable external environment since the early 1970s in which to service their debt and proceed with their own policies for sustained growth.

Despite this progress, however, much more needs to be done to address the international debt problem. Some debtor countries need to continue to reduce their high rates of inflation and budget deficits, better align their exchange rates, promote domestic saving, and improve the investment climate to reverse the fundamental problems of capital flight and an over-reliance on external bank lending. A more hospitable climate for foreign equity investment would help attract foreign funds without adding to the debt service problem. However, until certain debtor countries implement credible policies that provide their citizens with confidence to invest their capital in their own country, additional and alternative flows of foreign capital may be difficult to envision.

Commercial bank lenders continually need to balance their policies as well. As discussed earlier, U.S. banks have reduced their aggregate vulnerability to the debt problem. However, it may be in the best interests of the banks to ensure that enough net new bank financing is available to assist debtor countries' meaningful adjustment efforts and thereby continue to support the international banking system. As the OCC stated in 1983, and has observed since, such new lending may help improve the quality of outstanding exposure. Of course, it is ultimately up to the bankers themselves to make these decisions.

The international debt situation has become especially confused by the recent uncertainties in oil prices. Oil importing LDCs directly benefit from lower oil prices. Moreover, lower oil prices have contributed to reductions in interest rates, which will reduce LDC interest payments on their bank debts. At the same time, lower oil prices and lower interest rates should stimulate growth in developed countries and enhance the export prospects of LDCs.

On the other hand, the plunge in oil prices has focused attention on those debtor countries that are heavily dependent on oil revenues to service their debt. It is too early to determine the net effect of the current uncertainties in oil prices on the foreign debt held by U.S. banks. Even so, it is clear that the fall in oil prices has reduced the ability of some oil exporters to service their debt, and it may mean they will have to undertake additional macroeconomic reforms, perhaps with the assistance of the IMF and the World Bank.

The nature and magnitude of the banks' difficulties in lending to developing countries remain complex. The problems of international debt developed over a long period of time and it will take some time to solve them. Any strategy for international debt, including bank supervision, no matter how well conceived, has to be flexible to adjust to possible changes in the global economic environment. Implementation of ILSA, as well as the collective international debt strategy begun three years ago and recently enhanced through Secretary Baker's Program for Sustained Growth, have led to considerable progress in strengthening U.S. banks' positions vis-a-vis their international loans, while restoring the reserves and liquidity positions of many debtor countries.

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Interpretive Letters—April 15 to June 15, 1986

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357—February 26, 1986

This is in response to your letter of notification that your client *** Bank (Bank), wishes to expand the activities of an operating subsidiary, *** (Subsidiary), to include the purchase and sale of options on financial instruments and options on contracts for the future delivery of financial instruments (options on financial futures) as agent for its customers. At present, the Subsidiary purchases and sells contracts for the future delivery of financial instruments (financial futures) for its customers as a registered Futures Commission Merchant (FCM). You have advised the Office that the Subsidiary would continue to conduct its business at the main office of the Bank.

A national bank may engage in activities that are a part of or incidental to the business of banking by means of an operating subsidiary. *See* 12 C.F.R. § 5.34(c). At issue, therefore, is whether the proposed activities are permissible banking activities. The Office has permitted a number of operating subsidiaries of national banks, such as the Subsidiary in this case, to purchase and sell financial futures for customers as FCMs as an incident to the business of banking pursuant to the incidental powers clause of 12 U.S.C. § 24 (Seventh). The purchase and sale of financial futures is an integral adjunct to banks' expressly authorized investment, trading, and brokerage activities with respect to the underlying financial instruments. *Cf. Republic New York Corp.*, 63 Fed. Res. Bull. 951 (1977); *J.P. Morgan & Co.*, 68 Fed. Res. Bull. 514 (1982) (analogous rulings of the Federal Reserve Board that performing FCM business in bullion futures is an integral adjunct to banks' traditional bullion trading services for customers). The relationship between financial futures and financial instruments is intrinsic since financial futures reflect risks of future interest rate and price changes in the underlying financial instruments. Investors therefore often purchase and sell financial futures in order to offset risks arising from their purchase and sale of the underlying financial instruments. As a result, banks' purchase and sale of financial futures for customers as FCMs is a convenient and useful adjunct to banks' purchase and sale of the underlying instruments for customers pursuant to banks' express investment, trading, and brokerage powers. *See generally Arnold Tours v. Camp*, 472 F.2d 427 (1st Cir. 1972) ("convenient and useful" test used to analyze incidental powers clause). Moreover, the convenience and usefulness of such FCM business to banks' investment and trading activities is also apparent in banks' use as FCMs of the financial futures trading expertise and capability they have acquired by engaging in financial futures transactions for their own accounts to manage risks arising from, *inter alia*, banks' expressly authorized investment and trading activities with respect to financial instruments. *See* Banking Circular 79 (3rd Rev.) (April 19, 1983) (outlining financial futures activities banks engage in for their own accounts); *Fidelcor Inc.*, 70 Fed. Res. Bull. 368 (1984) (FCM decision of Board noting FCM activities' use of bank expertise in financial futures trading); *J.P. Morgan & Co., supra* (FCM decision of Board noting functional and operational similarity between trading futures for one's own account and for the account of others). *See also Miller v. King*, 223 U.S. 505 (1912) (analogous determination that banks may use their debt collection expertise to collect debts owed to their customers). The Office has accordingly determined that the performance of FCM business in financial futures for customers is incidental to the business of banking.

Options and options on futures differ from futures in the sense that such options represent rights to acquire the underlying instruments while futures represent obligations to acquire the underlying instruments. Options on futures represent the rights to acquire the obligations to acquire the underlying instruments. Despite their difference in form, however, options, options on futures, and futures serve a similar function: enabling investors to hedge against risks of interest rate and price changes relating to the underlying instruments. *See Citicorp*, 70 Fed. Res. Bull. 591 (1984); *Fidelcor, Inc., supra; Security Pacific Corporation*, 70 Fed. Res. Bull. 53 (1984) (FCM decisions of Board finding that options or financial instruments and options on financial futures serve similar hedging functions as financial futures). For example, banks manage risks arising from their investment and trading activities by means of options as well as futures. *See* Banking Circular 79 (3rd Rev.) (April 19, 1983).

The function of financial futures as risk management tools pervades the Office's rationale for determining that the purchase and sale of financial futures for customers is a convenient and useful adjunct to banks' investment, trading, and brokerage activities with respect to the underlying financial instruments. Since options on financial futures and options on financial instruments serve a function similar to that of financial futures, the rationale supporting the permissibility of trading financial futures for customers also supports the permissibility of trading options on financial futures and options on financial instruments for customers. The Office has accordingly permitted operating subsidiaries of national banks to purchase and sell such options as well as financial futures for their customers as an incident to the business of banking. That result is consistent with the fundamental principle that substance ought to be elevated over form by determining whether a new financial activity serves essentially the same function as an existing banking activity and is thereby authorized by 12 U.S.C. § 24 (Seventh). *See generally M & M Leasing Corp. v. Seattle-First National Bank*, 563 F.2d 1377 (9th Cir. 1977). Failure to observe this principle would ultimately relegate banks to the antiquated relics of a past banking era. *See id.*

Finally, I have noted that options on financial instruments are generally "securities" for the purposes of the securities laws.[*] *See* 15 U.S.C. § 77(b)(1), *amended by* Pub. L. No. 97-303, 96 Stat. 1409 (Oct. 13, 1982). If such options were to be treated as "securities" for the purposes of the Glass-Steagall Act as well, then the Act would expressly authorize banks to purchase and sell the options as agents for their customers pursuant to banks' express securities brokerage authority in 12 U.S.C. § 24 (Seventh). *See SC reprinted in* Fed. Banking L. Rep. (CCH) ¶ 85,496. It is unnecessary to explore that issue further in this case since options on financial instruments can clearly be purchased and sold for customers as an incident to banks' express investment, trading, and brokerage powers pursuant to the incidental powers clause of section 24 (Seventh), as discussed previously.

In summary, the activities in which the Subsidiary would engage are permissible activities for national banks, as required by 12 C.F.R. § 5.34(c). Accordingly, the Office hereby notifies the Bank pursuant to 12 C.F.R. § 5.34(d)(1)(ii) that it may expand the activities of the Subsidiary as it has proposed. I have assumed that the Subsidiary will comply with any applicable requirements of the Commodity Futures Trading Commission and the Securities and Exchange Commission.

Michael Patriarca
Deputy Comptroller for Multinational Banking

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358—March 26, 1986

This responds to your letter dated October 30, 1985, addressed to Owen Carney, Director, Investment Securities Division. In your letter you request our written confirmation that the 6.35 percent Japanese Yen Debentures Due 1992 (Debentures) issued by the Federal National Mortgage Association (the Corporation) are obligations eligible for purchase, dealing in, underwriting and unlimited holding by national banks pursuant to Paragraph Seventh of 12 U.S.C. Section 24. In Mr. Carney's November 15, 1985, letter to you, he noted that your request for a legal opinion had been referred to the Law Department. Please regard this letter as conveying, in full, our legal and supervisory concerns with respect to these Debentures.

The Debentures are unsecured general obligations of the Corporation issued under the authority of Section 304(b) of the Federal National Mortgage Association Charter Act (12 U.S.C. § 1719(b)). They will mature on November 15, 1992, and are not subject to redemption prior to maturity. The principal of and interest on the Debentures are denominated and payable in Japanese yen. The aggregate principal amount of the Debentures is yen 30 billion (apx. U.S. $141.6 million at current exchange rates), and the Debentures are available in denominations of yen one million (currently apx. U.S. $4,719.00) and integral multiples thereof. Purchasers of the Debentures will be required to pay for them in Japanese yen. The Debentures bear interest at the fixed rate of 6.35 percent per annum, payable each May 15th and November 15th.

*** (holding company) is prepared to undertake to convert dollars or other freely convertible currencies into Japanese yen to enable the purchasers to pay for the Debentures in Japanese yen. *** (Bank), as a part of such bank's regular foreign exchange services, is also prepared, subject to any applicable laws or regulations, to convert dollars or other freely convertible currencies into Japanese yen to enable the purchasers to pay for the Debentures in Japanese yen and, at the request of any holder of Debentures, to exchange, as of each payment date, the amount then payable to such holder for any freely convertible currency (which shall include the dollar) specified in such request.

Paragraph Seventh of 12 U.S.C. Section 24 provides in relevant part that:

> The limitations and restrictions herein contained as to dealing in, underwriting and purchasing for its own account, investment securities shall not apply to . . . obligations, participations, or other instruments of or issued by the Federal National Mortgage Association . . .

According to the Offering Circular, dated October 17, 1985, the Debentures are unsecured general obligations of the Corporation and do not constitute a debt or obligation of the United States. It is clear that the Debentures meet the requirements of Paragraph Seventh because they are obligations issued by the Corporation. Nothing in the statute or implementing regulation at 12 C.F.R. Part 1 requires that the described obligations be denominated or payable in U.S. dollars. Therefore, it is my opinion that the Debentures are obligations eligible for purchase, dealing in, underwriting and unlimited holding by national banks under Paragraph Seventh, 12 U.S.C. § 24.

I agree with your observation that there is, of course, the risk to the investor that the value of the Japanese yen will decline in relation to that of the U.S. dollar, but that risk is not substantively different from the risk — incurred even with respect to obligations denominated in U.S. dollars —

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[*] The treatment of options on financial instruments as "securities" under the securities laws is a result of Congress' enactment of a jurisdictional accord between the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC). *See* Markham & Gilberg, Federal Regulation of Bank Activities in the Commodities Markets, 39 Bus. Law. 1719, 1764-1765 (Aug. 1984). Enactment of the accord granted the CFTC rather than the SEC exclusive jurisdiction over financial futures and options on financial futures. *See* 7 U.S.C. §§ 2 and 2a, *amended by* Pub. L. No. 97-444, 96 Stat. 2294 (Jan. 11, 1983).

that market interest rates will rise above the interest rate payable on the obligation. The Investment Securities Division has informed me that a domestic bank which has no foreign denominated business may — from the viewpoint of safety and soundness — be better advised, instead, to acquire similar U.S. dollar-denominated securities of the same issuer. Depending on the portfolio of the individual bank investor, an investment in obligations denominated in foreign currency may not always represent "prudent banking judgment." *See* 12 C.F.R. § 1.4 (1985). Banks which choose to hold foreign-denominated securities should be able to demonstrate an ability to manage appropriately the resulting foreign exchange risk. A discussion of the standards for controlling foreign exchange risk is contained in section 823 of the *Comptroller's Handbook for National Bank Examiners.*

Richard V. Fitzgerald
Chief Counsel

* * *

359—April 9, 1986

This is in response to your request for an opinion as to whether a national bank may purchase, as a Type III investment security, floating rate subordinated notes which are convertible, after a specified date, into equity securities of the issuer at the issuer's option. (It is assumed that the securities meet the substantive requirements of 12 C.F.R. §§ 1.3(b) and 1.5(a) for investment quality.) Please be advised that securities of the type you described may be purchased and held by a national bank, but only prior to the date upon or after which the issuer may exercise the conversion option. Such a security must be sold by the bank before the date when the conversion option comes into effect.

As your letter notes, 12 C.F.R. § 1.10, reflecting the prohibition in 12 U.S.C. 24(7) on national bank ownership of equity securities, bans the purchase of investment securities convertible into equity at the option of the issuer. If, under the terms of the notes or debentures, such an option may not be exercised prior to a specified date then, in effect, there is no conversion option prior to that date and the purchase or holding of the securities before commencement of the conversion option period does not violate section 1.10. It should be noted, however, that the marketability of the security and thus its suitability for holding as an investment security by a national bank, may be affected by market perceptions of the likelihood that the issuer will exercise the conversion option, especially as the date for commencement of the option period approaches.

As stated above, if investment securities of this nature are purchased by a national bank, they must be sold before the conversion option comes into effect. Thus, the notes referred to in your letter would have to be sold before August 1, 1988, the date when the conversion option for those notes first becomes exercisable by the issuer.

We cannot agree with your contention that, even after August 1, 1988, those notes are not convertible into stock in any way that 12 C.F.R. § 1.10 is intended to prohibit. Under the supplement to the prospectus for the notes, p.1, it is clear that the issuer "undertake[s] to sell Capital Securities on behalf of holders who elect to receive cash for Capital Securities upon an exchange of their Notes in an amount sufficient to pay the principal of such Notes." (Emphasis added.) Further, "[i]f such a sale is not effected, such holders will receive Capital Securities and not cash upon an Exchange of their Notes." When the notes are exchanged for equity securities either at or prior to their maturity date, and the noteholder does not affirmatively elect to receive the equity securities, then "such holder will be deemed to have received on the Exchange Date Capital Securities having . . . Market Value [equal to the principal amount of the notes] and to have elected to have such Capital Securities sold for such holder by the Corporation in the Secondary Offering for cash proceeds . . . ." Prospectus Supplement, pp. 6 & 7.

Therefore, the noteholder does not have an absolute right to receive cash for the notes. Rather, at maturity of the notes, or earlier if the issuer exercises the conversion option, what noteholders have is an absolute right to require the Corporation to undertake to sell the capital securities on their behalf. In other words, the noteholder will have at least a constructive or equitable ownership interest in the stock of the issuer and will lose the status of a creditor. Accordingly, it is precisely because the notes are convertible into stock, at least constructively received by the noteholder, that they may not be held by a national bank after the date when the conversion option comes into existence.

William B. Glidden
Assistant Director
Legal Advisory Services Division

* * *

360—April 16, 1986

Ellis E. Bradford
Vice President
Citibank, N.A.
399 Park Avenue
New York, N.Y. 10043

Dear Mr. Bradford:

This is in response to your notification, dated October 29, 1985, addressed to Thomas W. Taylor, Deputy Comptroller for the Northeastern District. By this notification, you informed us of Citibank's (the Bank) intent to establish a *de novo* subsidiary to be known as Citicorp Institutional Investor Services, Inc. (CIIS), which will provide securities brokerage services for institutional customers within the state of New York. On November 29, 1985, the Bank was notified, under 12 C.F.R. § 5.34(d), of this Office's extension of the 30-day application approval period.

The principal business of CIIS will be the execution of securities transactions on the New York Stock Exchange and other major securities exchanges. Its clientele will be limited to sophisticated customers such as banks, insurance companies, mutual funds, and money managers who use outside research. As an incident to execution of securities transactions, CIIS will offer its clients basic research services purchased by CIIS from third parties, including affiliated companies. This research will involve analysis of macro-economic data such as interest rates, performance of particular industries, foreign exchange rates, economic trends, and government activities. Such research would rarely, if ever, involve recommendations to buy or sell specific securities. Instead, it would provide background or source material which the investment analysts employed by CIIS's clients could use for assistance in making investment decisions. It is anticipated that this research would be provided by a number of research organizations so that the customers of CIIS could choose from a broad range of such research.

It is my opinion that the purchase and sale of securities is solely on the order and for the account of customers within the meaning of § 16 of the Glass-Steagall Act whenever the ultimate decision to buy or sell and the choice of the security rests with the customer and not with the bank. This is true regardless of whether the bank has advised the customer concerning the appropriateness of a particular investment strategy. As one court has stated, the statutory test is met if "no sales or purchases are executed unless directed by the customer, and . . . the customer has full beneficial ownership of the securities." *New York Stock Exchange v. Smith,* 404 F. Supp. 1091, 1097 (D.D.C. 1975), *vacated on other grounds sub nom. New York Stock Exchange v. Bloom,* 562 F.2d 736 (D.C. Cir. 1977).

We have carefully reviewed the Bank's proposal to establish CIIS based on the information provided in the October 29 notice. Based on your representations, we have no objection to the Bank's plan to establish CIIS as described in your letter. We believe that the services proposed to be offered by the Bank through CIIS are services which national banks are authorized to provide under the authority granted in 12 U.S.C. § 24(7), and that these services may be offered in compliance with relevant provisions of the Glass-Steagall Act set forth at 12 U.S.C. § 24(7). These services appear to be consistent with earlier discount brokerage approvals issued by this Office. *See, i.e.,* Security Pacific National Bank [1982-1983 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 99,284 (Aug. 26, 1982). Accordingly, the Bank may proceed to establish CIIS.

One additional note relates to the question of branching. In *Securities Industry Association v. Comptroller of the Currency,* 758 F.2d 739 (D.C. Cir. 1985), *appellant's petition for cert. denied,* No. 85-392 (U.S. Jan. 13, 1986), *appellee's petition for cert. granted* (U.S. Mar. 3, 1986), the Court of Appeals affirmed the district court's decision holding that discount brokerage activities are legitimate bank activities subject to the branching restrictions of 12 U.S.C. § 81 and 12 U.S.C. § 36 and, therefore, unavailable at non-branch locations. The Office filed a petition for certiorari in the Supreme Court seeking review of, among other things, the Court of Appeal's decision on the branching issue. This petition was granted on March 3, 1986. Nevertheless, we are cautioning all national banks intending to establish discount brokerage activities at non-branch locations that should the Court of Appeal's decision be affirmed, banks will be required to restrict their securities brokerage activities to their main office or to branch locations.

Judith A. Walter
Senior Deputy Comptroller
for National Operations

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361—April 30, 1986

This is in response to your inquiry dated March 6, 1985, on behalf of *** (Bank) in which you requested that direct pay letters of credit, which will be issued in support of the Bank's bond remarketing program, should be treated as commercial letters of credit for lending limit and reporting purposes. While your arguments raise interesting points, it is my opinion that these direct pay letters of credit should be treated in the same manner as standby letters of credit. Despite some distinguishing characteristics, the addition of a direct pay feature does not change the nature of the credit risk of the Bank's letter of credit, which has the characteristics of a standby letter of credit. The general purpose of both 12 U.S.C. § 84 and its implementing regulation, 12 C.F.R. Part 32, is to limit the credit risk exposure of a national bank to any one person, and the Bank's exposure on the direct pay letter of credit described in your correspondence is essentially the same as the exposure on a standby letter of credit.

In a related prior inquiry dated April 25, 1984, the Bank asked which party should be considered the account party for lending limit purposes in connection with the same municipal securities remarketing letter of credit program. The program is designed to allow other financial institutions[1] to dispose of the tax-exempt securities held in their investment portfolio. An investment bank would remarket these bonds backed by the Bank's letter of credit where an affiliate of the investment bank has been designated the nominal account party. Under the remarketing program, the financial institution which owns the tax-exempt securities agrees to repurchase the bonds under a Tender Option Agreement with the investment bank affiliate at the end of the option period if the option is exercised and the bonds cannot be remarketed. The Bank receives an assignment of the investment bank affiliate's rights to require repurchase by the seller. When the draw occurs, the Bank is reimbursed from the proceeds of the remarketing under a new option agreement (and by the seller for any deficiency) or from the proceeds of the seller's repurchase.

Assistant Director William B. Glidden, in a letter dated January 25, 1985, attached hereto, concluded that the investment bank affiliate should be considered the account party or borrower instead of the selling institution; this resulted in the combination of all extensions of credit under the letters of credit issued on behalf of the investment bank affiliate to determine whether the Bank's lending limit had been exceeded. Your most recent letter requests that the letters of credit be considered commercial letters of credit which are exempt from the lending limits and for other regulatory purposes because they are "direct pay" or "payment mechanism" letters of credit.

Until 1974, the Office exempted commercial and standby letters of credit, as well as commitments to lend, from the lending limits applicable to national banks. The Office merely cautioned banks that the extent of such commitments and letters of credit should be monitored to prevent advances in excess of those limits. After the failure of United States National Bank of San Diego, California, which was in part attributed to the unrestricted issuance of standby letters of credit, former Interpretive Ruling 7.1160 was amended to subject standby letters of credit to the lending limit on loans to a single borrower for prudential reasons. This new position required national banks to recognize the existence of the credit risk of a contingent obligation which, however, was unlikely to be drawn upon. At the same time, standby letters of credit were required to be disclosed in a footnote to annual financial statements under what is now 12 C.F.R. § 11.7(c)(9)(viii). *See* 39 *Fed. Reg.* 28974 (Aug. 13, 1974). The final amendments to former I.R. 7.1160 and 12 C.F.R. § 11.7(c) defined a standby, through footnotes to the respective rules, as excluding

> commercial letters of credit and similar instruments where the issuing bank expects the beneficiary to draw upon the issuer, which do not "guaranty" payment of a money obligation . . .

Fee paid commitments to lend have never been subject to the lending limits.

After the enactment of the Garn-St Germain Depository Institutions Act of 1982, Pub. L. No. 97-320, regulations implementing amendments to 12 U.S.C. § 84 were promulgated as 12 C.F.R. Part 32. 48 *Fed. Reg.* 15844 (April 12, 1983). Section 32.2(d) and (e) basically carried over the language of the definitions in I.R. 7.1160.

Three major changes were made when former I.R. 7.1160 was incorporated into Part 32. First, instead of subjecting standby letters of credit to the lending limits, the new rule includes all letters of credit within the term "contractual commitment to advance funds" and then expressly includes standby letters of credit and expressly excludes commercial letters of credit from that definition. Secondly, by treating standby letters of credit like any other extension of credit, all exceptions to the lending limit restrictions afforded other types of extensions of credit are now available in the case of standbys. Since the amended statute and regulation include a new exception for loans secured by segregated deposits, previous special exceptions for standby letters of credit covered by a corresponding payment or deposit equal to the bank's maximum liability were eliminated as duplicative. The third change was the elimination of the Office's discretionary exception for letters of credit which posed no "similar risk of loss . . . as a loan to the account party."

The current definitions of standby letters of credit in sections 32.2 and 11.7(c) are also similar to the treatment of letters of credit for regulatory reporting purposes. *See* FFIEC Instructions: Consolidated Reports of Condition and Income, RC-L—Contingencies, FFIEC 033, at RC-52, and Glossary, "Letter of Credit," at A-24 (July 1984). The FFIEC Instructions additionally note that a commercial letter of credit is issued to facilitate trade or commerce. They also note that under the terms of a commercial letter of credit, as a general rule, drafts will be drawn when the underlying transaction is consummated as intended.

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[1] It should be noted that if a national bank seeks to reduce its portfolio of tax-exempt securities, the Office would treat the bank's sale of those securities backed by its own option, standby letter of credit or repurchase agreement as a deposit or a borrowing.

Direct pay letters of credit were apparently created as a solution to the problem that a letter of credit supporting debt instruments could be treated as an avoidable preference in the bankruptcy of the account party under the Bankruptcy Code, 11 U.S.C. § 547(b). The underlying debt instrument would then be paid not by the debtor but rather by the letter of credit issuer under the direct pay letter of credit. *See* R. RYAN, LETTERS OF CREDIT AND BANKERS' ACCEPTANCES 225 (1983).

You have argued that because the Bank looks to the proceeds of the remarketing, the seller, and the bonds themselves as its source of reimbursement, the letter of credit is not only predictably drawable but also self-liquidating. In your view, payment is not conditioned on the occurrence of default on the bond itself, nor on the failure to remarket, nor on the seller's failure to repurchase.

Instead, "payment is sought because an agreed or foreseen underlying transaction is coming to fruition." In my view, the difficulty with this analysis of the direct pay feature is that it allows the payment mechanism to be used to transform a standby into a commercial letter of credit without regard to the underlying credit risk to the bank. While it is true that the Bank's direct pay letter of credit is similar to a commercial letter of credit in that it requires a draw, it also meets the definition of a standby letter of credit because it

> represents an obligation to the beneficiary on the part of the issuer
>
> (1) to repay money borrowed by or advanced to or for the account of the account party, or
>
> (2) to make payment on account of any indebtedness by the account party,
>
> (3) or to make payment on account of any default by the account party in the performance of an obligation. *See* 12 C.F.R. § 32.2(e).

The third alternative definition of a standby is the only test that is arguably not met by the Bank's direct pay letter of credit. However, it could be argued that the letter of credit is conditioned on default in the sense that one of the advantages to the beneficiary is that payment occurs if the investment bank affiliate fails to remarket the bonds.

Implicit in the Office's continuing exemption of commercial letters of credit from the lending limits is the perception that they do not pose the same degree of credit risk to the issuing bank as do standby letters of credit or loans. The following hypothetical transaction illustrates the identical nature of the risks posed by direct pay and standby letters of credit when the expected performance is the payment of money. A bank could restructure a standby supporting account party A's underlying obligation to beneficiary B so that A and B agree that A's payment to B will be effected by the bank's letter of credit. The precondition of default is obviated. Thus, the credit now provides that, when payment is due, B draws drafts on the bank under the credit, the bank pays B and then the bank is reimbursed by A. Since the underlying relationship and the bank's risk are unchanged, there appears to be no reason to warrant different treatment for section 84 purposes.

Furthermore, the argument that the Bank's direct pay letter of credit is self-liquidating is not persuasive. Many obligations issued by a bank arguably have self liquidating characteristics, however, that alone does not assume that it will be entitled to an exemption to the legal lending limits applicable to national banks. Based on our experience with letters of credit, including the failure of United States National Bank, this Office is reluctant to expand the commercial letter of credit exemption to letters of credit that do not finance the shipment of goods or that are not secured by goods under shipment.

I trust this is responsive to your inquiry.

Peter Liebesman
Assistant Director
Legal Advisory Services Division

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362—May 22, 1986

Mr. Robert L. Tortoriello
Cleary, Gottlieb, Steen & Hamilton
One State Street Plaza
New York, New York 10004

Re: Liberty Norstar Bank, N.A., Buffalo, New York (Bank)

Dear Mr. Tortoriello:

This responds to your request on behalf of the Bank for the views of this Office on a proposal for the Bank's subsidiary to issue, underwrite and deal in evidences of indebtedness (bonds) partially collateralized by pools of mortgages, including Government National Mortgage Association (GNMA) certificates, Federal National Mortgage Association (FNMA) certificates, Federal Home Loan Mortgage Corporation (FHLMC) certificates and/or non-federally insured conventional residential mortgage loans. The summary set forth below is based on your letters of March 18 and June 6, 1985. In addition, I have relied on the information and legal opinions contained in your August 17, 1984 and January 9, 1985 letters concerning Alliance Mortgage Acceptance Corporation and

Alliance Mortgage Company, a subsidiary of Florida National Bank, as well as information provided in our June 10, 1985 telephone conversation with Elizabeth Tsai of the Securities and Exchange Commission (SEC), David Sabel of your office and James Pitts of this Office.

Pursuant to an indenture with a non-affiliated trustee established under the Trust Indenture Act of 1939, 15 U.S.C. § 77aaa *et seq.*, the Bank's subsidiary will issue bonds to be paid off in scheduled principal and interest payments at a fixed rate of interest. The Bank's subsidiary may purchase fully modified pass-through GNMA securities, FNMA pass-through certificates, FHLMC pass-through certificates and/or conventional mortgage loans. At present, the Bank's subsidiary proposes only to purchase GNMA certificates and to file a Registration Statement under the Securities Act of 1933 (Securities Act) on Form S-3 with the SEC with respect to the issuance of bonds collateralized by the GNMA certificates pursuant to an indenture. In the future, the Bank's subsidiary may issue additional series of debt instruments separately collateralized by FNMA certificates, FHLMC certificates, conventional mortgage loans or any combination of the above assets. The additional series may be issued pursuant to a supplement to the proposed indenture or pursuant to indentures subsequently filed with the SEC and will also be registered under the Securities Act.

The GNMA certificates are backed by Federal Housing Administration (FHA) insured or Veterans Administration (VA) guaranteed mortgage loans. GNMA's guarantee of the GNMA certificates is backed by the full faith and credit of the United States. *See* Section 306(g) of Title III of the National Housing Act of 1934, as amended. FNMA certificates are backed by FHA-insured, VA-guaranteed or conventional mortgage loans, payments on which are guaranteed by FNMA. FNMA's guarantee is backed only by FNMA. Although the Secretary of the Treasury has discretionary authority to lend FNMA up to $2.25 billion outstanding at any time, neither the United States nor any agency thereof is obligated to assist FNMA in any manner. Were FNMA unable to perform its obligations, FNMA certificate holders could rely only on payments on the underlying mortgage loans and would be vulnerable to delinquencies and defaults on the loans. FHLMC certificates are backed by conventional mortgage loans and participation interests in such loans purchased by FHLMC. FHLMC's guarantee of its mortgage payment certificates are not backed by the full faith and credit of the United States nor is any agency thereof required to finance or assist FHLMC in any manner. Although the pools of conventional mortgage loans will not be guaranteed by any entity, they will be insured in accordance with the precedents you have cited to this Office. *See, e.g.*, Letter No. 41, May 18, 1978, from John G. Heimann, Comptroller of the Currency, Fed. Banking L. Rep. (CCH) ¶ 85,116; Letter No. 69, October 17, 1978, from H. Joe Selby, Deputy Comptroller for Operations, Fed. Banking L. Rep. (CCH) ¶ 85,144.

The bonds are issuable in series. The bonds are divided into four classes: Class A-1, Class A-2, Class A-3 and Class A-4. Interest on the Class A-1, Class A-2 and Class A-3 bonds will be payable semiannually. Payments of interest on the Class A-4 bonds will commence only upon payment in full of the interest on the three other classes of bonds. Prior to that time, interest will accrue on the Class A-4 bonds and the amount accrued will be added to the principal thereof on each semiannual payment date. Principal payments on the bonds will be made sequentially according to class. It will be a condition to the issuance of the bonds that they receive the highest bond rating from presently unspecified rating agencies.

The GNMA, FNMA or FHLMC certificates and other evidences of ownership interests in the underlying mortgage pools will be pledged to the trustee under the applicable indenture. Record ownership of the certificates will be transferred to the trustee to assure that payments on the certificates and for the underlying mortgage will be received directly by the trustee. Upon receipt of the mortgage principal and interest payments pursuant to an indenture, the trustee will reinvest the funds pending distribution to the bondholders. The funds will be reinvested only in instruments which the Bank would be permitted to invest in pursuant to Banking Bulletin BB-83-58. Upon payment to the bondholders, the Bank's subsidiary will be entitled to any amounts held by the trustee following a payment date for the bonds. The trustee will promptly pay these funds to the subsidiary and the funds will be free from the lien of the applicable indenture. We understand that the Bank's prospectus will clearly advise the bondholders that payments from the mortgage-backed securities awaiting distribution will be invested for the Bank's benefit and that the reinvestment will not result in monetary gain or in any special fee or compensation to bondholders.

You have provided us with an analysis concerning the application of the Trust Indenture Act and the Investment Company Act of 1940 to your proposed activities. You have represented that the indenture you have submitted complies with the requirements of the Trust Indenture Act. In addition, you have stated that you are relying on the Section 3(c)(5)(C) exemption from the Investment Company Act which exempt entities which are "not engaged in the business of issuing redeemable securities, face amount certificates of the installment type or periodic payment plan certificates" and that are "primarily engaged in . . . mortgages and other liens on and interests in real estate" from the definition of "investment company." In support of your reliance on the 3(c)(5)(C) exemption, you have cited SEC correspondence which you claim establishes a "safe harbor" for the proposed activities. *See,* *e.g.*, the July 9, 1983 letter from William E. Toomey, Assistant Chief Counsel, SEC, to Stinson, Mag & Fizzell regarding Equibank Corporation (issuance of participation interest in bank loans), the November 8, 1983 letter from Stanley B. Judd, Deputy Chief Counsel, SEC, to Cleary, Gottlieb, Steen & Hamilton concerning Solomon Brothers Mortgage Securities, Inc. (issuance of bonds collateralized by GNMA fully modified, mortgage-backed pass-through certificates); the September 20, 1984 letter of Judith W. Axe, Attorney, SEC, to Buchanan and Ingersoll concerning Landmark Funding Corporation (issuance of adjustable rate preferred stock based on assets including at least 55 percent of whole pool GNMA, FNMA and/or FHLMC certificates as well as cash, United States treasury certificates, short-term money market instruments and partial-pool mortgage certificates).[1]

Pursuant to the indenture, the collateral pledged to secure the bonds would constitute the entire assets of the subsidiary against which the trustee and/or bondholders may have recourse in the event of default. Since the Bank will never receive principal or interest payments from the mortgage pools which collateralize the bonds, the Bank would have no reservable liability with respect to the bonds under Regulation D of the Board of Governors of the Federal Reserve Board, 12 C.F.R. § 204.1 *et. seq.* In any case, you have indicated that the Bank does not have a reservable deposit pursuant to the exemption to Regulation D provided by 12 C.F.R. § 204.2(a)(2)(ix).[2]

In reliance upon Letter No. 257, April 12, 1983, from Brian W. Smith, Chief Counsel, Fed. Banking L. Rep. (CCH) ¶ 85,421 (permitting national banks to underwrite and deal in certain mortgage-backed, pass-through certificates) and Banking Bulletin BB-83-58 (permitting national bank investment in money-market mutual funds whose portfolios consist wholly of bank eligible instruments), you are of the opinion that the issuance and underwriting of the bonds you have described will not constitute a violation of the Glass-Steagall Act's prohibition on national bank involement in investment banking activities. Moreover, you have cited 12 C.F.R. § 5.34(c) for the principle that an operating subsidiary can deal in the underwriting, purchase and sale of securities to the extent permitted a national bank by Section 16 of the Glass-Steagall Act.

On the basis of the facts and representations set forth in your opinions of August 17, 1984, January 9, 1985, April 22, 1985 and June 6, 1985, along with supporting submissions (which are incorporated herein by reference), in our June 10, 1985 telephone conversation, and in reliance on your legal opinion that the activities of the Bank's subsidiary would not violate banking law provisions, in particular Sections 16, 20, 21 or 32 of the Glass-Steagall Act, we will raise no objection to the involvement of the Bank and its subsidiary in the described activities. In keeping with this Office's general policy, we will not comment on the appropriateness of specific language contained in documentation to be used in this connection.

Because this position is based upon the representations made in your letter of August 17, 1984, and subsequent correspondence and documents, it should be noted that any different facts or conditions might require a different conclusion. In addition, please note that our view is based on current law and regulation and may be subject to revisions as future litigation or legislative developments warrant. We will, of course, continue to monitor national bank participation in the program and we reserve the right to modify the views expressed herein or provide additional comments in the future.

Richard V. Fitzgerald
Chief Counsel

* * *

363—May 23, 1986

Kathryn B. McGrath, Director
Division of Investment Management
Securities and Exchange Commission
Washington, D.C. 20549

Dear Ms. McGrath:

This is in response to your request for the advice of this Office as to whether national banks may sell units in unit investment trusts under the Glass-Steagall Act. Our understanding of the facts surrounding this activity, as set forth below, is based upon materials supplied by your office and upon additional information supplied by several banks in connection with matters before this Office.

Facts

A unit investment trust (UIT) is an investment company, organized under a trust indenture, which issues undivided interest in a portfolio of specified securities. The organizer (Sponsor) acquires various securities and on a certain date deposits those securities into a trust with an independent Trustee. In exchange, the Sponsor receives a specified number of certificates evidencing the ownership of units in the trust. The Sponsor in turn has entered an agreement with an underwriter or group of underwriters (Underwriters) whereby each Underwriter purchases a certain number of units. The Sponsor may also act as the sole Underwriter or be among the underwriting group. In the initial offering period, the units are offered to the public at a price which represents the divided aggregate offering price of the securities in the portfolio plus a specified sales charge. There is a discount in the sales commission for quantity purchases of units. UITs are typically set up so that the public offering price, including full sales charge, is a standard amount per unit.

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[1] Since you indicate that these activities will fall within the "safe harbor" created by the SEC's no-action letters, we have assumed that you will comply with the SEC's requirements concerning the required proportions of whole mortgage loans and whole pool mortgage certificates.

[2] You have also stated that even if the foregoing facts would indicate that under Regulation D's affiliate paper rule, 12 C.F.R. § 204.2(a)(i)(V), a deposit liability could arise, the bonds will almost certainly have maturity of more than four years (and will certainly have a maturity more than one and one-half years), thus indicating either that no "deposit" would exist under the "affiliate paper rule" or that the applicable reserve percentage under 12 C.F.R. § 204.9(a)(1) would be zero.

After the initial offering, the Sponsor and sometimes certain of the other Underwriters may maintain (but are not obligated to) a secondary market in the units. In this market, the Sponsor and/or Underwriters may have profits or losses based on differences between the purchase price and resale price. If no market is maintained or if a unit owner cannot otherwise find a purchaser, then a unit owner wishing to dispose of units disposes of them only by tendering units to the UIT Trustee for redemption at a redemption price according to procedures specified in the prospectus.

During the initial offering period, units are sold to the public either directly by the Sponsor/Underwriters or through broker-dealers and others (including national banks) at the public offering price. The broker-dealers and others receive compensation of a specified amount per unit sold. This amount is specified in the prospectus and comes out of the stated sales charge. National banks make units available to their customers on an agency basis. A portion of the stated sales charge is retained by, or remitted back to, the banks as the agency commission. When there is a reduced sales charge to a customer (*i.e.*, when the customer purchases a large enough quantity of units to enjoy the quantity discount on sales charges), the reduction comes out of the broker-dealer's or bank's portion of the sales charge.

Thus, the sale of UITs is in two tiers. The first tier consists of the Sponsor and Underwriters, who have a direct relationship with the UIT Sponsor and are obligated to purchase specified amounts of units, and who sell to the public either directly or through the second tier. The second tier consists of other broker-dealers and others (including banks) who sell between the Sponsor or Underwriters and the public on either an agency or principal basis. National banks sell only on an agency basis.

There appear to be two alternative arrangements between the Sponsor/Underwriter and a broker-dealer or bank. In the first type (fully disclosed), the Sponsor/Underwriter acts as clearing agent for the bank. The bank places orders with the Sponsor/Underwriter at the public offering price. The Sponsor/Underwriter (hereafter simply "Underwriter") agrees to execute transactions for bank customers only upon the authorization of the bank acting as agent of the customer. The Underwriter confirms trades to bank customers directly on a fully disclosed basis (*i.e.*, the agreement between the bank and Underwriter, that the customer's transactions with the Underwriter are being effected with the bank as the customer's agent and the bank's receipt of an agency commission, is disclosed to the customer). Full payment is made directly from the purchasing customer to the selling Underwriter. Periodically (*e.g.*, weekly or monthly) the Underwriter sends the bank a statement showing activity done by the bank as agent for its customers and remitting to the bank the aggregate amount of its sales commissions on its customers' orders (less any applicable clearance fees owed to the Underwriter as clearing agent).

In a recently developed variation of the fully disclosed method, the payment process works differently although the clearing and confirmation process is the same. In this variation, the customer pays the bank the full purchase price and the bank keeps its portion of the sales commission out of the customer payment and forwards the balance to the Underwriter. Alternatively, the customer could write two checks, one for the bank's portion and the other for transmittal to the Underwriter.

In the second type of arrangement, the Underwriter confirms transactions directly to a broker-dealer or bank, and the broker-dealer or bank confirms directly to its customers. The broker-dealer or bank realizes its sales commission in the difference between the price confirmed to it and the price it charges and confirms to its customer (the public offering price). The customer pays the broker-dealer or bank the full payment, and the broker-dealer or bank pays on to the Underwriter its price.

It is our understanding that national banks have entered arrangements with either or both of the variations of the fully disclosed method. We also understand national banks have entered similar arrangements with respect to the sale of mutual fund shares. We are not aware of any national bank using the direct method.

As indicated above, national banks participate in the sale of UIT units in the initial offering period by acting as selling agents between Sponsors/Underwriters and purchasers who are customers of the bank. In these agency sales, the transactions are done without recourse to the bank, each transaction is initiated solely on the order of the purchasing customer, and the transaction is for the account of the purchasing customer and not for the account of the bank.

Some national banks have entered these arrangements with only one Sponsor/Underwriter of UITs or mutual funds. Other national banks have entered arrangements with a number of Sponsors/Underwriters. In either event, although the arrangement is with specific Sponsors, there seems to be nothing to prevent the national bank from facilitating the purchase of other UITs or funds through appropriate channels, for a customer at the customer's request.

Under the arrangement with which we are thus far familiar, the national banks are under no obligation to sell or promote the UITs or funds to any extent whatsoever. The national banks do not have any discretion to make investment decisions for their customers with respect to the UITs or funds. All purchases and sales of UIT units or fund shares are made solely on the order of the customer.

Similarly, we understand that national banks are making the availability of the UITs and funds known to customers through a reference in brochures or advertisements generally listing the securities services offered by the bank. Information regarding the UITs or funds is limited to a statement that they may be purchased through the bank. It is also indicated that the UITs or funds do not constitute obligations of the bank and are not insured by the Federal Deposit Insurance Corporation. Some banks are also facilitating the availability of UIT or fund prospectuses to customers upon customer request. Some banks may forward a copy of the prospectus to the customer, also informing the customer that the prospectus is provided by the Sponsor and the bank is not affiliated with or endorsing the fund but is forwarding the prospectus as a service to the requesting customer. Other banks may relay the customer request to the Sponsor or direct the customer to the Sponsor.

In addition to the above arrangements, some banks may also have entered separate agreements with Sponsors under which the bank receives payments pursuant to plans established under Securities and Exchange Commission Rule 12b-1, or a similar plan, for recordkeeping, accounting, and other services provided for customers.

Opinion

In my opinion, these activities are permissible activities for national banks under the National Bank Act and the Glass-Steagall Act. Section 16 of the Glass-Steagall Act authorizes, and Section 21 does not prohibit, agency securities activities by national banks, including the purchase and/or sale of shares in mutual funds or units in unit investment trusts as agent without recourse upon the order of and for the account of customers. Securities brokerage activities as agent for customers have been specifically approved for national banks and bank holding companies. *See Securities Industry Association v. Board of Governors of the Federal Reserve System*, 468 U.S. 207 (1984) (bank holding companies); *Securities Industry Association v. Comptroller of the Currency*, 577 F. Supp. 252 (D.D.C. 1983), *aff'd per curiam* 758 F.2d 739 (D.C. Cir. 1985) ("Security Pacific") (national banks), *appellant's petition for cert. denied*, 106 S.Ct. 790 (1986) (securities brokerage issue), *appellee's petition for cert. granted*, 54 U.S.L.W. 3575 (U.S. March 3, 1986) (No. 85-971) (branching issue). *See also* OCC Letter No. 331 (April 4, 1985), *reprinted in* Fed. Banking L. Rep. (CCH) ¶ 85,501 (agency sale of variable annuities); OCC Letter No. 332 (March 8, 1985), *reprinted in* Fed. Banking L. Rep. (CCH) ¶ 85,502 (agency sale of mutual funds); OCC Letter No. 329 (March 4, 1985), *reprinted in* Fed. Banking L. Rep. (CCH) ¶ 85,499 (agency placement of commercial paper).

This opinion is based upon the facts and circumstances set forth above. Different circumstances may affect the legal analysis. In addition, this opinion reflects current law and may be subject to revision as future developments warrant. In this regard, the Office is advising all national banks that, if the holding of *Security Pacific, supra* (concerning the locations at which securities brokerage activities may be conducted) should be sustained upon review, they would be expected to take appropriate steps to bring themselves into compliance with applicable law.

I trust this letter is responsive to your request. If you wish further information, please call me.

Richard V. Fitzgerald
Chief Counsel

* * *

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1. **Bank with assets of $50 to $100 million — Agreement**
   1. Allowance for loan and lease losses
   2. Brokered deposits, notification and reporting
   3. Budget/financial plan
   4. Capital plan, general
   5. Credit information exceptions
   6. Criticized assets
   7. Dividend restrictions
   8. Internal loan review
   9. Lending policy
   10. Management study
   11. Profit plan
   12. Renewals of extensions of credit
   13. Violations of law, general

2. **Bank with assets of $25 to $50 million — Agreement**
   1. Allowance for loan and lease losses
   2. Asset/liability management
   3. Brokered deposits, notification and reporting
   4. Budget/financial plan
   5. Business/strategic plan
   6. Call report
   7. Capital plan, general
   8. Collateral exceptions
   9. Collection procedures
   10. Credit information exceptions
   11. Criticized assets
   12. Internal loan review
   13. Loan policy compliance
   14. Management study
   15. Nonaccrual loans
   16. Senior lending officer, new
   17. Violations of law, general

3. **Bank with assets of less than $25 million — Order to Cease and Desist**
   1. Allowance for loan and lease losses
   2. Asset/liability management
   3. Brokered deposits, prohibition or eliminating dependence
   4. Brokered deposits, notification and reporting
   5. Call report
   6. Capital plan, general
   7. Conflict of interest policy
   8. Consumer compliance program
   9. Credit information exceptions
   10. Criticized assets
   11. Forward and standby contracts
   12. Internal audit
   13. Internal controls
   14. Internal loan review
   15. Investment policy
   16. Investment portfolio, trading
   17. Lending policy
   18. Management and board supervision study, outside
   19. Profit plan
   20. Violations of law, general
   21. Violations of law, 12 U.S.C. 84

4. **Bank with assets of less than $25 million — Order to Cease and Desist**
   1. Allowance for loan and lease losses
   2. Asset/liability management
   3. Brokered deposits, prohibition or eliminating dependence
   4. Budget/financial plan
   5. Call report
   6. Capital plan, general
   7. Collection procedures
   8. Concentrations of credit
   9. Credit information exceptions
   10. Criticized assets
   11. Dividend restrictions, prior approval
   12. Lending policy
   13. Liquidity
   14. Loan administration
   15. Management and board supervision study
   16. Nonaccrual loans
   17. Participations purchased
   18. Profit plan
   19. Renewals of extensions of credit
   20. Violations of law, general
   21. Violations of law, 12 U.S.C. 84
   22. Compliance committee

5. **Bank with assets of $500 million to $1 billion — Memorandum of Understanding**
   1. Allowance for loan and lease losses
   2. Brokered deposits, notification and reporting
   3. Capital plan, general
   4. Capital plan, achieve and maintain predetermined minimum
   5. Criticized assets, excessive
   6. Loan administration
   7. Profit plan
   8. Renewals of extensions of credit
   9. Violations of law, general

6. **Bank with assets of less than $25 million — Order to Cease and Desist**
   1. Allowance for loan and lease losses
   2. Appraisals of real property
   3. Asset/liability management
   4. Brokered deposits, prohibition or eliminating dependence
   5. Budget/financial plan
   6. Business/strategic plan

7. Capital plan, general
8. Capital plan, achieve and maintain predetermined minimum
9. Capital plan, equity capital
10. Collection procedures
11. Concentrations of credit
12. Credit information exceptions
13. Criticized assets
14. Internal audit
15. Internal controls
16. Internal loan review
17. Liquidity
18. Loan administration
19. Management study
20. Nonaccrual loans
21. Participations purchased
22. Renewals of extensions of credit
23. Violations of law, general
24. Violations of law, 12 U.S.C. 84
25. CPA audit, annual

7. Bank with assets of $500 million to $1 billion — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Capital plan, general
5. Capital plan, achieve and maintain predetermined minimum
6. Concentrations of credit
7. Criticized assets, excessive
8. Dividend restrictions
9. Loan administration
10. Renewals of extensions of credit
11. Violations of law, 12 U.S.C. 371c
12. Business/strategic plan
13. Trust activities

8. Bank with assets of $100 to $500 million — Amended Order to Cease and Desist

1. Brokered deposits, prohibition or eliminating dependence
2. Capital plan, achieve and maintain predetermined minimum
3. Dividend restrictions, prior approval
4. Internal loan review

9. Bank with assets of $25 million to $50 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Appraisals of real property
3. Asset/liability management
4. Brokered deposits, notification and reporting
5. Call report
6. Capital plan, general
7. Capital plan, achieve and maintain predetermined minimum
8. Capital plan, equity capital
9. New chief executive officer
10. Collection procedures
11. Concentrations of credit
12. Conflict of interest policy
13. Credit information exceptions
14. Criticized assets
15. Dividend restrictions, prior approval
16. External audit
17. Geographic trade area
18. Internal audit
19. Internal controls
20. Internal loan review
21. Investment policy
22. Lending policy
23. Liquidity
24. Loan administration
25. Loan policy compliance
26. Nonaccrual loans
27. Other real estate owned
28. Participations purchased
29. Profit plan
30. Renewals of extensions of credit
31. New senior lending officer
32. Special counsel to review legal fees paid to a director
33. Violations of law, general
34. Violations of law, 12 U.S.C. 84
35. Appointment of independent outside directors
36. Loan production office operation
37. Dividends, documentation supporting past

10. Bank with assets of less than $25 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Call report
5. Capital plan, general
6. Collateral exceptions
7. Collection procedures
8. Concentrations of credit
9. Consumer compliance program
10. Criticized assets
11. Dividend restrictions, prior approval
12. EDP
13. Internal audit
14. Internal controls
15. Internal loan review
16. Lending policy
17. Management and board supervision study
18. Nonaccrual loans
19. Profit plan
20. Violations of law, general
21. Violations of law, 12 U.S.C. 84

11. **Bank with assets of $50 to $100 million — Memorandum of Understanding**
    1. Allowance for loan and lease losses
    2. Budget/financial plan
    3. Capital plan, general
    4. Collateral exceptions
    5. Credit information exceptions
    6. Criticized assets
    7. Dividend restrictions
    8. Internal loan review
    9. Lending policy
    10. Loan administration
    11. Nonaccrual loans
    12. Renewals of extensions of credit
    13. Violations of law, general

12. **Bank with assets of $100 million to $500 million — Agreement**
    1. Allowance for loan and lease losses
    2. Capital plan, achieve and maintain predetermined minimum
    3. Collateral exceptions
    4. Credit information exceptions
    5. Criticized assets
    6. Dividend restrictions
    7. Internal loan review
    8. Renewals of extensions of credit
    9. Violations of law, general

13. **Bank with assets of $50 to $100 million — Memorandum of Understanding**
    1. Brokered deposits, notification and reporting
    2. Credit information exceptions
    3. Criticized assets
    4. Internal loan review
    5. Loan administration
    6. Loan policy compliance
    7. Violations of law, general

14. **Bank with assets of less than $25 million — Agreement**
    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Capital plan, achieve and maintain predetermined minimum
    4. Collateral exceptions
    5. Collection procedures
    6. Criticized assets
    7. Internal loan review
    8. Liquidity
    9. Loan administration
    10. Management and board supervision study
    11. Renewals of extensions of credit
    12. Violations of law, general

15. **Bank with assets of $25 to $50 million — Agreement**
    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Collateral exceptions
    4. Credit information exceptions
    5. Criticized assets
    6. Dividend restrictions, prior approval
    7. Earnings
    8. Internal loan review
    9. Loan administration
    10. Management and board supervision study
    11. Renewals of extensions of credit
    12. Violations of law, general

16. **Bank with assets of $50 to $100 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Budget/financial plan
    4. Capital plan, achieve and maintain predetermined minimum
    5. Collection procedures
    6. Criticized assets
    7. Earnings
    8. External audit
    9. Internal loan review
    10. Management study

17. **Bank with assets of less than $25 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, notification and reporting
    4. Business/strategic plan
    5. Capital plan, general
    6. Concentrations of credit
    7. Consumer compliance program
    8. Criticized assets
    9. Earnings
    10. Internal loan review
    11. Lending policy
    12. Liquidity
    13. Management and board supervision study
    14. Renewals of extensions of credit
    15. Violations of law, general

18. **Bank with assets of $50 to $100 million — Agreement**
    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Budget/financial plan
    4. Capital plan, general
    5. Collateral exceptions
    6. Collection procedures
    7. Conflict of interest policy
    8. Credit information exceptions

9. Criticized assets
10. Dividend restrictions
11. Internal loan review
12. Investment policy
13. Lending policy
14. Nonaccrual loans
15. Renewals of extensions of credit
16. Violations of law, general

19. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, notification and reporting
3. Budget/financial plan
4. Call report
5. Capital plan, general
6. Collateral exceptions
7. Conflict of interest policy
8. Credit information exceptions
9. Criticized assets
10. Dividend restrictions
11. Internal loan review
12. Lending policy
13. Nonaccrual loans
14. Other real estate owned
15. Participations purchased
16. Renewals of extensions of credit
17. Violations of law, general
18. Violations of law, 12 U.S.C. 84, 12 C.F.R. 215, 31 C.F.R. 103

20. Bank with assets of $25 to $50 million — Memorandum of Understanding

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Consumer compliance program
5. Credit information exceptions
6. Criticized assets
7. EDP
8. Internal loan review
9. Lending policy
10. Trust asset administration/audit
11. Violations of law, general

21. Bank with assets of less than $25 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Budget/financial plan
5. Call report
6. Capital plan, general
7. New chief executive officer
8. Collateral exceptions
9. Concentrations of credit
10. Consumer compliance program
11. Credit information exceptions
12. Criticized assets
13. Dividend restrictions
14. External audit
15. Internal loan review
16. Lending policy
17. Nonaccrual loans
18. Profit plan
19. Violations of law, general

22. Bank with assets of $50 to $100 million — Agreement

1. Asset/liability management
2. Brokered deposits, notification and reporting
3. Capital plan, general
4. Concentrations of credit
5. Criticized assets
6. Internal loan review
7. Liquidity
8. Management or board supervision study
9. Profit plan
10. Violations of law, general

23. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Budget/financial plan
5. Capital plan, general
6. Collateral exceptions
7. Credit information exceptions
8. Criticized assets
9. Dividend restrictions
10. Internal audit
11. Internal loan review
12. Lending policy
13. Nonaccrual loans
14. Participations purchased
15. Renewals of extensions of credit

24. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Business/strategic plan
4. Capital plan, general
5. Charge-off assets
6. Collateral exceptions
7. Conflict of interest policy
8. Credit information exceptions
9. Dividend restrictions
10. Earnings
11. Internal loan review
12. Lending policy
13. Nonaccrual loans

14. Renewals of extensions of credit
15. Violations of law, general
16. Violations of law, 12 U.S.C. 84

25. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, notification and reporting
3. Capital plan, general
4. Collection procedures
5. Conflict of interest policy
6. Criticized assets
7. Dividend restrictions
8. Earnings
9. Internal loan review
10. Investment policy
11. Investment portfolio, trading
12. Loan administration
13. Management and board supervision study
14. Violations of law, general

26. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Budget/financial plan
5. Business/strategic plan
6. Capital plan, general
7. Collection procedures
8. Concentrations of credit
9. Conflict of interest policy
10. Consumer compliance program
11. Credit information exceptions
12. Criticized assets
13. Dividend restrictions
14. Internal audit
15. Internal controls
16. Internal loan review
17. Investment policy
18. Lending policy
19. Management study
20. Nonaccrual loans
21. Overdraft policy
22. Violations of law, general
23. Violations of law, 12 U.S.C. 84
24. Dormant accounts policy

27. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Budget/financial plan
4. Capital plan, equity capital
5. Charge-off assets
6. Collateral exceptions
7. Collection procedures
8. Consumer compliance program
9. Credit information exceptions
10. Criticized assets
11. Dividend restrictions
12. Internal audit
13. Management study
14. Nonaccrual loans
15. New senior lending officer
16. Violations of law, general

28. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, notification and reporting
3. Capital plan, general
4. Collateral exceptions
5. Conflict of interest policy
6. Credit information exceptions
7. Criticized assets
8. Dividend restrictions
9. Renewals of extensions of credit
10. Violations of law, general

29. Bank with assets of less than $25 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Budget/financial plan
5. Capital plan, general
6. Collateral exceptions
7. Credit information exceptions
8. Criticized assets
9. Lending policy
10. Management and board supervision study
11. Renewals of extensions of credit
12. Violations of law, general

30. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, notification and reporting
3. Call report
4. Capital plan, general
5. Charge-off assets
6. Collateral exceptions
7. Collection procedures
8. Concentrations of credit
9. Credit information exceptions
10. Internal loan review
11. Lending policy
12. Loan policy compliance
13. Nonaccrual loans
14. Other real estate owned
15. Renewals of extensions of credit
16. New senior lending officer
17. Violations of law, general

31. **Bank with assets of more than $1 billion — Agreement**
    1. Allowance for loan and lease losses
    2. Brokered deposits, prohibition or eliminating dependence
    3. Business/strategic plan
    4. Capital plan, achieve and maintain predetermined minimum
    5. Concentrations of credit
    6. Criticized assets
    7. Internal audit
    8. Internal loan review
    9. Management study
    10. Trust management study
    11. Violations of law, general

32. **Bank with assets of $50 to $100 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, prohibition or eliminating dependence
    4. Business/strategic plan
    5. Capital plan, general
    6. Collateral exceptions
    7. Collection procedures
    8. Credit information exceptions
    9. Criticized assets
    10. Internal audit
    11. Internal loan review
    12. Lending policy
    13. Liquidity
    14. Management study
    15. Other real estate owned
    16. Profit plan
    17. Violations of law, general

33. **Bank with assets of less than $25 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, notification and reporting
    4. Business/strategic plan
    5. Capital plan, general
    6. Collateral exceptions
    7. Collection procedures
    8. Concentrations of credit
    9. Conflict of interest policy
    10. Credit information exceptions
    11. Criticized assets
    12. Internal audit
    13. Internal controls
    14. Internal loan review
    15. Lending policy
    16. Management study
    17. Profit plan
    18. Violations of law, general

34. **Bank with assets of $100 to $500 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Criticized assets
    4. Dividend restrictions
    5. Internal loan review
    6. Lending policy
    7. Renewals of extensions of credit

35. **Bank with assets of less than $25 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, notification and reporting
    4. Capital plan, general
    5. Criticized assets
    6. Internal loan review
    7. Lending policy
    8. Management and board supervision study
    9. Renewals of extensions of credit
    10. Violations of law, general

36. **Bank with assets of $25 to $50 million — Agreement**
    1. Allowance for loan and lease losses
    2. Capital plan, general
    3. Collateral exceptions
    4. Collection procedures
    5. Credit information exceptions
    6. Criticized assets
    7. Dividend restrictions
    8. Internal loan review
    9. Management and board supervision study
    10. Nonaccrual loans
    11. Renewals of extensions of credit

37. **Bank with assets of $50 to $100 million — Order to Cease and Desist**
    1. Allowance for loan and lease losses
    2. Capital plan, general
    3. Collateral exceptions
    4. Conflict of interest policy
    5. Credit information exceptions
    6. Criticized assets
    7. Dividend restrictions
    8. Internal controls
    9. Internal loan review
    10. Nonaccrual loans
    11. Profit plan
    12. Renewals of extensions of credit
    13. New senior lending officer
    14. Violations of law, general

38. **Bank with assets of $25 to $50 million — Order to Cease and Desist**
    1. Allowance for loan and lease losses

   2. Capital plan, general
   3. Collateral exceptions
   4. Collection procedures
   5. Credit information
   6. Criticized assets
   7. Internal loan review
   8. Management study
   9. Nonaccrual loans
   10. Profit plan
   11. Renewals of extensions of credit
   12. Violations of law, general

39. Bank with assets of less than $25 million — Order to Cease and Desist
   1. Allowance for loan and lease losses
   2. Asset/liability management
   3. Brokered deposits, prohibition or eliminating dependence
   4. Capital plan, general
   5. Collateral exceptions
   6. Collection procedures
   7. Credit information exceptions
   8. Criticized assets
   9. Dividend restrictions, prior approval
   10. Internal controls
   11. Liquidity
   12. Profit plan
   13. Renewals of extensions of credit
   14. Violations of law, general
   15. Violations of law, 12 U.S.C. 84
   16. Blanket bond coverage

40. Bank with assets of $25 to $50 million — Agreement
   1. Allowance for loan and lease losses
   2. Brokered deposits, notification and reporting
   3. Capital plan, general
   4. Collateral exceptions
   5. Credit information exceptions
   6. Criticized assets
   7. Dividend restrictions, prior approval
   8. EDP
   9. External audit
   10. Internal audit
   11. Internal loan review
   12. Management study
   13. Nonaccrual loans
   14. Profit plan
   15. Renewals of extensions of credit
   16. Violations of law, general

41. Bank with assets of $50 to $100 million — Agreement
   1. Agricultural lending policy
   2. Allowance for loan and lease losses
   3. Asset/liability management
   4. Capital plan, general
   5. Credit information exceptions
   6. Criticized assets
   7. Dividend restrictions
   8. Internal loan review
   9. Management study
   10. Other real estate owned
   11. Violations of law, general

42. Bank with assets of $25 to $50 million — Agreement
   1. Allowance for loan and lease losses
   2. Asset/liability management
   3. Brokered deposits, notification and reporting
   4. Budget, financial plan
   5. Call report
   6. Capital plan, general
   7. Collateral exceptions
   8. Collection procedures
   9. Credit information exceptions
   10. Criticized assets
   11. Dividend restrictions
   12. External audit
   13. Internal controls
   14. Internal loan review
   15. Investment policy
   16. Management study
   17. Other real estate owned
   18. Renewals of extensions of credit
   19. Violations of law, general

43. Bank with assets of $50 to $100 million — Agreement
   1. Allowance for loan and lease losses
   2. Asset/liability management
   3. Call report
   4. Capital plan, general
   5. Collection procedures
   6. Criticized assets
   7. Dividend restrictions, prior approval
   8. Internal audit
   9. Internal loan review
   10. Loan policy compliance
   11. Other real estate owned
   12. Renewals of extensions of credit
   13. Violations of law, general

44. Bank with assets of $25 to $50 million — Agreement
   1. Allowance for loan and lease losses
   2. Brokered deposits, notification and reporting
   3. Business/strategic plan
   4. Capital plan, general
   5. Collateral exceptions
   6. Credit information exceptions
   7. Criticized assets
   8. Dividend restrictions
   9. Internal loan review

    10. Loan administration
    11. Loan policy compliance
    12. Profit plan
    13. Trust asset administration/audit
    14. Violations of law, general
    15. Banking Circular 115

45. **Bank with assets of $25 to $50 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Charge-off assets
    4. Collection procedures
    5. Concentrations of credit
    6. Credit information exceptions
    7. Criticized assets
    8. Internal audit
    9. Internal loan review
    10. Lending policy
    11. Nonaccrual loans
    12. Other real estate owned
    13. Profit plan
    14. Violations of law, general

46. **Bank with assets of $25 to $50 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Capital plan, general
    4. Consumer compliance program
    5. Criticized assets
    6. Dividend restrictions
    7. Internal controls
    8. Internal loan review
    9. Loan administration
    10. Profit plan
    11. Violations of law, general
    12. Banking Circular 115

47. **Bank with assets of less than $25 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, prohibition or eliminating dependence
    4. Capital plan, general
    5. Criticized assets
    6. External audit
    7. Internal loan review
    8. Lending policy
    9. Loan administration
    10. Management study
    11. Violations of law, general

48. **Bank with assets of $50 to $100 million — Amended Order to Cease and Desist**
    1. Internal controls
    2. Trading account

49. **Bank with assets of $50 to $100 million — Agreement**
    1. Allowancce for loan and lease losses
    2. Brokered deposits, prohibition or eliminating dependence
    3. Collateral exceptions
    4. Consumer compliance program
    5. Credit information exceptions
    6. Criticized assets
    7. Internal audit
    8. Internal controls
    9. Internal loan review
    10. Investment policy
    11. Lending policy
    12. Management study
    13. Other real estate owned
    14. Overdraft policy
    15. Profit plan

50. **Bank with assets of $100 to $500 million — Agreement**
    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Business/strategic plan
    4. Capital plan, general
    5. Collateral exceptions
    6. Collection procedures
    7. Credit information exceptions
    8. Criticized assets
    9. Dividend restrictions
    10. Internal loan review
    11. Management study
    12. Profit plan

51. **Bank with assets of $100 to $500 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, notification and reporting
    4. Capital plan, general
    5. Collection procedures
    6. Concentrations of credit
    7. Consumer compliance program
    8. Credit information exceptions
    9. Criticized assets
    10. Internal controls
    11. Internal loan review
    12. Investment policy
    13. Lending policy
    14. Liquidity
    15. Management study
    16. Participations purchased
    17. Profit plan
    18. Violations of law, general
    19. Banking Circular 181

52. **Bank with assets of $50 to $100 million — Agreement**
    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Business/strategic plan
    4. Capital plan, general
    5. Collateral exceptions
    6. Concentrations of credit
    7. Consumer compliance program
    8. Credit information exceptions
    9. Criticized assets
    10. Internal audit
    11. Internal loan review
    12. Management study
    13. Nonaccrual loans
    14. Other real estate owned
    15. Profit plan
    16. Violations of law, general

53. **Bank with assets of $25 to $50 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Budget/financial plan
    4. Capital plan, general
    5. New chief executive officer
    6. Credit information exceptions
    7. Criticized assets
    8. Internal loan review
    9. Management and board supervision study
    10. Violations of law, general

54. **Bank with assets of less than $25 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Capital plan, achieve and maintain predetermined minimum
    4. New chief executive officer
    5. Conflict of interest policy
    6. Criticized assets
    7. Internal controls
    8. Internal loan review
    9. Loan administration
    10. Management and board supervision study
    11. Overdraft policy
    12. Profit plan
    13. Renewals of extensions of credit
    14. Violations of law, general

55. **Bank with assets of $50 to $100 million — Agreement**
    1. Allowance for loan and lease losses
    2. Call report
    3. Capital plan, general
    4. Collateral exceptions
    5. Credit information exceptions
    6. Criticized assets
    7. Dividend restrictions, prior approval
    8. Internal loan review
    9. Management study
    10. Renewals of extension of credit
    11. Violations of law, general

56. **Bank with assets of less than $25 million — Order to Cease and Desist**
    1. Allowance for loan and lease losses
    2. Brokered deposits, prohibition or eliminating dependence
    3. Business/strategic plan
    4. Capital plan, achieve and maintain predetermined minimum
    5. New chief executive officer
    6. Collection procedures
    7. Criticized assets
    8. Dividend restrictions, prior approval
    9. Internal loan review
    10. Liquidity
    11. Loan administration
    12. Management and board supervision study
    13. Participations purchased
    14. Renewals of extensions of credit
    15. Violations of law, general

57. **Bank with assets of $25 to $50 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, notification and reporting
    4. Business/strategic plan
    5. Capital plan, general
    6. Collateral exceptions
    7. Collection procedures
    8. Concentrations of credit
    9. Consumer compliance program
    10. Credit information exceptions
    11. Criticized assets
    12. Internal audit
    13. Internal controls
    14. Internal loan review
    15. Lending policy
    16. Management study
    17. Violations of law, general

58. **Bank with assets of less than $25 million — Order to Cease and Desist**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, notification and reporting
    4. Capital plan, general
    5. Collateral exceptions
    6. Collection procedures
    7. Concentrations of credit
    8. Conflict of interest policy

9. Credit information exceptions
10. Criticized assets
11. Internal loan review
12. Lending policy
13. Loan policy compliance
14. Management study
15. Profit plan
16. Violations of law, general
17. Violations of law, 12 U.S.C. 84
18. Banking Circular 115

59. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. New chief executive officer
4. Collateral exceptions
5. Credit information exceptions
6. Criticized assets
7. Internal controls
8. Internal loan review
9. Loan administration
10. Management study
11. Violations of law, 31 C.F.R. 103
12. Management information systems

60. Bank with assets of less than $25 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Brokered deposits, notification and reporting
3. Business/strategic plan
4. Capital plan, achieve and maintain predetermined minimum
5. Capital injection
6. New chief executive officer
7. Collateral exceptions
8. Concentrations of credit
9. Credit information exceptions
10. Criticized assets
11. Nonaccrual loans
12. Profit plan
13. Violations of law, 12 U.S.C. 84

61. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Budget/financial plan
5. Capital plan, general
6. Credit information exceptions
7. Criticized assets
8. Dividend restrictions
9. Internal loan review
10. Lending policy
11. Nonaccrual loans
12. Renewals of extensions of credit
13. Violations of law, general
14. Violations of law, 12 U.S.C. 84

62. Bank with assets of less than $25 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Brokered deposits, notification and reporting
3. Capital plan, achieve and maintain predetermined minimum
4. Credit information exceptions
5. Criticized assets
6. Dividend restrictions
7. Internal loan review
8. Profit plan
9. New senior lending officer

63. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Capital plan, general
3. Collateral exceptions
4. Credit information exceptions
5. Criticized assets
6. Internal audit
7. Internal controls
8. Internal loan review
9. Liquidity
10. Profit plan
11. Violations of law, general
12. Board committee structure

64. Bank with assets of $50 to $100 million -- Memorandum of Understanding

1. Allowance for loan and lease losses
2. Business/strategic plan
3. Collateral exceptions
4. Credit information exceptions
5. Criticized assets
6. Internal audit
7. Internal controls
8. Internal loan review
9. Loan administration
10. Management study
11. Violations of law, 31 C.F.R. 103

65. Bank with assets of $25 to $50 million — Agreement

1. Agricultural lending policy
2. Allowance for loan and lease losses
3. Asset/liability management
4. Call report
5. Capital plan, general
6. Collateral exceptions
7. Collection procedures
8. Concentrations of credit

    9. Credit information exceptions
    10. Criticized assets
    11. Dividend restrictions
    12. Internal audit
    13. Internal loan review
    14. Management study
    15. Renewals of extensions of credit
    16. Violations of law, general
    17. Management information systems

66. **Bank with assets of less than $25 million — Agreement**
    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Business/strategic plan
    4. Capital plan, general
    5. Collateral exceptions
    6. Concentrations of credit
    7. Credit information exceptions
    8. Criticized assets
    9. Internal loan review
    10. Lending policy
    11. Loan administraiton
    12. Management and board supervision study
    13. Profit plan
    14. Violations of law, general

67. **Bank with assets of less than $25 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Call report
    4. Capital plan, achieve and maintain predetermined minimum
    5. Collateral exceptions
    6. Collection procedures
    7. Concentrations of credit
    8. Consumer compliance program
    9. Credit information exceptions
    10. Criticized assets
    11. Dividend restrictions
    12. EDP
    13. Internal audit
    14. Internal controls
    15. Internal loan review
    16. Lending policy
    17. Management study
    18. Nonaccrual loans
    19. Other real estate owned
    20. Violations of law, general
    21. Reports to board of directors

68. **Bank with assets of $25 to $50 million — Order to Cease and Desist**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, notification and reporting
    4. Call report
    5. Capital plan, general
    6. Charge-off assets
    7. New chief executive officer
    8. Collateral exceptions
    9. Collection procedures
    10. Credit information exceptions
    11. Criticized assets
    12. Dividend restrictions
    13. Internal loan review
    14. Lending policy
    15. Liquidity
    16. Management study
    17. Nonaccrual loans
    18. Other real estate owned
    19. Renewals of extensions of credit
    20. New senior lending officer
    21. Violations of law, general

69. **Bank with assets of less than $25 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Budget/financial plan
    4. Capital plan, general
    5. Credit information exceptions
    6. Criticized assets
    7. Earnings
    8. Internal controls
    9. Lending policy
    10. Nonaccrual loans
    11. Other real estate owned
    12. New senior lending officer
    13. Violations of law, general
    14. Violations of law, 31, C.F.R. 103
    15. Consumer violations, general

70. **Bank with assets of less than $25 million — Agreement**
    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Criticized assets
    4. Dividend restrictions
    5. Internal loan review
    6. Lending policy
    7. Violations of law, 12 U.S.C. 84

71. **Bank with assets of $50 to $100 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, notification and reporting
    4. Capital plan, general
    5. Collateral exceptions
    6. Credit information exceptions
    7. Criticized assets
    8. Dividend restrictions

9. Earnings
10. Internal loan review
11. Lending policy
12. Violations of law, 12 U.S.C. 84

72. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Budget/financial plan
4. Capital plan, achieve and maintain predetermined minimum
5. Charge-off assets
6. Credit information exceptions
7. Criticized assets
8. Internal audit
9. Internal loan review
10. Management study
11. Nonaccrual loans
12. Violations of law, general

73. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Business/strategic plan
5. Capital plan, general
6. Collateral exceptions
7. Collection procedures
8. Consumer compliance program
9. Credit information exceptions
10. Criticized assets
11. Internal controls
12. Internal loan review
13. Lending policy
14. Violations of law, general
15. Consumer violations, Regulation Z reimbursement

74. Bank with assets of $25 to $50 million — Agreement

1. Agricultural lending, general
2. Agricultural lending policy
3. Allowance for loan and lease losses
4. Brokered deposits, notification and reporting
5. Budget/financial plan
6. Capital plan, general
7. New chief executive officer
8. Collateral exceptions
9. Credit information exceptions
10. Criticized assets
11. Dividend restrictions
12. External audit
13. Internal audit
14. Internal controls
15. Internal loan review
16. Lending policy
17. Violations of law, general
18. CPA study of insider loans

75. Bank with assets of less than $25 million — Amended Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, notification and reporting
3. Budget/financial plan
4. Capital plan, general
5. Conflict of interest policy
6. Credit information exceptions
7. Criticized assets
8. Dividend restrictions
9. External audit
10. Internal loan review
11. Loan administration
12. Loan policy compliance
13. Profit plan
14. Violations of law, general

76. Bank with assets of $50 to $100 million — Memorandum of Understanding

1. Allowance for loan and lease losses
2. Criticized assets
3. Dividend restrictions
4. Lending policy
5. Loan administration
6. Management study
7. Profit plan
8. Violations of law, general

77. Bank with assets of $100 to $500 million — Agreement

1. Allowance for loan and lease losses
2. Criticized assets
3. Internal loan review
4. Lending policy
5. Management and board supervision study
6. Violations of law, general

78. Bank with assets of $100 to $500 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Capital plan, general
5. Collateral exceptions
6. Collection procedures
7. Credit information exceptions
8. Criticized assets
9. Internal loan review
10. Liquidity
11. Management study
12. Nonaccrual loans
13. Other real estate owned
14. Violations of law, general
15. Violations of law, 12 U.S.C. 84

79. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, notification and reporting
3. Capital plan, general
4. Criticized assets
5. Dividend restrictions
6. Internal loan review
7. Management study
8. Participations purchased or sold
9. Profit plan
10. Banking Circular 181

80. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. Capital plan, general
4. Collection procedures
5. Criticized assets
6. Dividend restrictions
7. Internal loan review
8. Management study
9. Participations purchased
10. Profit plan

81. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Business/strategic plan
5. Capital plan, general
6. Collateral exceptions
7. Concentrations of credit
8. Credit information exceptions
9. Criticized assets
10. Internal audit
11. Internal controls
12. Internal loan review
13. Lending policy
14. Management study
15. Violations of law, general
16. Violations of law, 12 U.S.C. 84

82. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Business/strategic plan
5. Capital plan, general
6. Collateral exceptions
7. Consumer compliance program
8. Credit information exceptions
9. Criticized assets
10. Dividend restrictions
11. External audit
12. Internal audit
13. Internal controls
14. Internal loan review
15. Lending policy
16. Liquidity
17. Management study
18. Participations purchased
19. Profit plan
20. Violations of law, general
21. Violations of law, 12 U.S.C. 84

83. Bank with assets of $25 to $50 million — Agreement

1. Asset/liability management
2. Budget/financial plan
3. Capital plan, general
4. Collateral exceptions
5. Collection procedures
6. Consumer compliance program
7. Credit information exceptions
8. Criticized assets
9. Dividend restrictions
10. Internal loan review
11. Management study
12. Violations of law, general

84. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Budget/financial plan
4. Capital plan, achieve and maintain predetermined minimum
5. Criticized assets
6. Dividend restrictions
7. Internal controls
8. Liquidity
9. Nonaccrual loans
10. Violations of law, general
11. Violations of law, 12 U.S.C. 84
12. Insider transactions

85. Bank with assets of less than $25 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Capital plan, general
5. Collateral exceptions
6. Credit information exceptions
7. Criticized assets
8. Lending policy
9. Management study
10. Participations purchased

11. Profit plan
12. Violations of law, general
13. Violations of law, 12 U.S.C. 84

86. Bank with assets of less than $25 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Budget/financial plan
5. Capital plan, achieve and maintain predetermined minimum
6. Collection procedures
7. Concentrations of credit
8. Consumer compliance program
9. Credit information exceptions
10. Criticized assets
11. Dividend restrictions
12. Internal controls
13. Internal loan review
14. Investment policy
15. Management study
16. Nonaccrual loans
17. Nonprofit plan
18. New senior lending officer
19. Violations of law, general
20. Violations of law, 12 U.S.C. 29

87. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Budget/financial plan
5. Credit information exceptions
6. Criticized assets
7. Internal loan review
8. Lending policy
9. Management study

88. Bank with assets of $25 to $50 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Call report
4. Capital plan, general
5. Collection procedures
6. Criticized assets
7. Internal loan review
8. Lending policy
9. Management and board supervision study
10. Overdraft policy
11. Profit plan
12. New senior lending officer
13. Violations of law, 12 U.S.C. 84

89. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Budget/financial plan
5. Capital plan, general
6. Collection procedures
7. Consumer compliance program
8. Credit information exceptions
9. Criticized assets
10. Internal controls
11. Internal loan review
12. Investment policy
13. Lending policy
14. Management and board supervision study
15. Nonaccrual loans
16. Violations of law, general

90. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Capital plan, achieve and maintain predetermined minimum
5. Credit information exceptions
6. Criticized assets
7. Dividend restrictions, prior approval
8. Internal loan review
9. Lending policy
10. Management study
11. Profit plan
12. Violations of law, general

91. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Collection procedures
3. Criticized assets
4. Internal controls
5. Internal loan review
6. Loan administration
7. Management and board supervision study
8. Nonaccrual loans
9. Other real estate owned
10. Violations of law, general

92. Bank with assets of $25 to $50 million — Agreement

1. Affiliates, extensions of credit
2. Allowance for loan and lease losses
3. Asset/liability management
4. Brokered deposits, notification and reporting
5. Capital plan, general

6. Conflict of interest policy
7. Consumer compliance program
8. Credit information exceptions
9. Criticized assets
10. Dividend restrictions, prior approval
11. External audit
12. Internal audit
13. Internal controls
14. Internal loan review
15. Investment policy
16. Lending policy
17. Management study
18. Overdraft policy
19. Profit plan
20. Violations of law, general
21. Violations of law, 12 U.S.C. 84
22. Review of expenses

93. Bank with assets of $50 to $100 million — Memorandum of Understanding

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Call report
5. Capital plan, general
6. Collateral exceptions
7. Concentrations of credit
8. Consumer compliance program
9. Credit information exceptions
10. Criticized assets
11. EDP
12. Internal loan review
13. Lending policy
14. Management and board supervision study
15. Profit plan

94. Bank with assets of less than $25 million — Agreement

1. Consumer compliance program
2. EDP
3. Management and board supervision study
4. Violations of law, general
5. Violations of law, 12 C.F.R. 209, Regulation B

95. Bank with assets of $50 to $100 million — Memorandum of Understanding

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Capital plan, general
5. Collateral exceptions
6. Credit information exceptions
7. Criticized asssets
8. External audit
9. Internal audit
10. Investment policy
11. Lending policy
12. Profit plan
13. Violations of law, general

96. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Business/strategic plan
5. Capital plan, general
6. Collateral exceptions
7. Consumer compliance program
8. Credit information exceptions
9. Criticized assets
10. EDP
11. Internal audit
12. Internal controls
13. Internal loan review
14. Lending policy
15. Loan administration
16. Management and board supervision study
17. Participations purchased
18. Profit plan
19. Violations of law, general
20. Violations of law, 12 U.S.C. 84

97. Bank with assets of $25 to $50 million — Memorandum of Understanding

1. Allowance for loan and lease losses
2. Appraisals of real property
3. Asset/liability management
4. Brokered deposits, prohibition or eliminating dependence
5. Budget/financial plan
6. Capital plan, general
7. Collection procedures
8. Credit information exceptions
9. Criticized assets
10. Dividend restrictions, prior approval
11. Internal loan review
12. Nonaccrual loans
13. Other real estate owned
14. Violations of law, general
15. Violations of law, 12 U.S.C. 84

98. Bank with assets of $25 to $50 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Bank Secrecy Act Compliance
4. Brokered deposits, prohibition or eliminating dependence
5. Capital plan, general
6. Concentrations of credit
7. Conflict of interest policy
8. Credit information exceptions
9. Criticized assets

    10. Internal audit
    11. Internal controls
    12. Internal loan review
    13. Lending policy
    14. Liquidity
    15. Loan policy compliance
    16. Management and board supervision study
    17. Participations purchased
    18. Profit plan
    19. Violations of law, general

99. Bank with assets of less than $25 million — Agreement

    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, notification and reporting
    4. Business/strategic plan
    5. Call report
    6. Capital plan, general
    7. Credit information exceptions
    8. Criticized assets
    9. Internal audit
    10. Internal loan review
    11. Investment policy
    12. Lending policy
    13. Liquidity
    14. Management and board supervision study
    15. Participations purchased
    16. Profit plan
    17. Violations of law, general
    18. Violations of law, 12 U.S.C. 84

100. Bank with assets of $25 to $50 million — Order to Cease and Desist

    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, prohibition or eliminating dependence
    4. Business/strategic plan
    5. Capital plan, general
    6. Collection procedures
    7. Concentrations of credit
    8. Credit information exceptions
    9. Criticized assets
    10. Dividend restrictions
    11. Investment policy
    12. Lending policy
    13. Liquidity
    14. Loan administration
    15. Management and board supervision study
    16. Profit plan
    17. Violations of law, general

101. Bank with assets of $25 to $50 million — Agreement

    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, notification and reporting
    4. Business/strategic plan
    5. Call report
    6. Capital plan, general
    7. Collateral exceptions
    8. Credit information exceptions
    9. Criticized assets
    10. Internal auddit
    11. Internal loan review
    12. Lending policy
    13. Liquidity
    14. Management and board supervision study
    15. Profit plan
    16. Violations of law, general
    17. Violations of law, 12 U.S.C. 84

102. Bank with assets of $25 to $50 million — Agreement

    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Capital plan, general
    4. Consumer compliance program
    5. Credit information exceptions
    6. Criticized assets
    7. Internal controls
    8. Internal loan review
    9. Management study
    10. Violations of law, general

103. Bank with assets of $25 to $50 million — Agreement

    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, prohibition or eliminating dependence
    4. Budget/financial plan
    5. Capital plan, general
    6. Credit information exceptions
    7. Criticized assets
    8. Management study
    9. Profit plan
    10. Violations of law, general

104. Bank with assets of $25 to $50 million — Agreement

    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Budget/financial plan
    4. Capital plan, general
    5. Collection procedures
    6. Concentrations of credit
    7. Consumer compliance program
    8. Credit information exceptions

9. Criticized assets
10. Internal audit
11. Internal loan review
12. Management and board supervision study
13. Profit plan
14. Violations of law, general

105. Bank with assets of $25 to $50 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Bank Secrecy Act compliance
4. Brokered deposits, prohibition or eliminating dependence
5. Capital plan, general
6. Conflict of interest policy
7. Credit information exceptions
8. Criticized assets
9. Internal audit
10. Internal controls
11. Internal loan review
12. Lending policy
13. Liquidity
14. Loan policy compliance
15. Management and board supervision study
16. Participations purchased
17. Profit plan
18. Violations of law, general
19. Volatile liability dependence

106. Bank with assets of $25 to $50 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Capital plan, general
5. Conflict of interest policy
6. Criticized assets
7. Internal audit
8. Internal loan review
9. Lending policy
10. Liquidity
11. Participations purchased
12. Profit plan
13. Violations of law, general
14. Volatile liability dependence

107. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Budget/financial plan
3. Credit information exceptions
4. Criticized assets
5. External audit
6. Internal controls
7. Internal loan review
8. Lending policy
9. Management study
10. Nonaccrual loans

108. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Capital plan, general
5. Credit information exceptions
6. Criticized assets
7. Dividend restrictions
8. Internal loan review
9. Investment policy
10. Lending policy
11. Management study
12. Nonaccrual loans
13. Participations purchased
14. Profit plan
15. Banking Circular 115

109. Bank with assets of $100 to $500 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Appraisals of real property
3. Asset/liability management
4. Brokered deposits, notification and reporting
5. Capital plan, equity capital
6. Collection procedures
7. Concentrations of credit
8. Consumer compliance program
9. Credit information exceptions
10. Criticized assets
11. Dividend restrictions
12. Internal controls
13. Internal loan review
14. Investment policy
15. Lending policy
16. Management study
17. Nonaccrual loans
18. Other real estate owned
19. Participations purchased
20. Violations of law, general
21. Violations of law, 12 U.S.C. 84

110. Bank with assets of $500 to $100 million — Memorandum of Understanding

1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. Budget/financial plan
4. Capital plan, general
5. Collection procedures
6. Concentrations of credit

    7. Criticized assets
    8. Internal loan review
    9. Nonaccrual loans
    10. Profit plan
    11. Violations of law, general

111. **Bank with assets of $100 to $500 million — Agreement**
    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Call report
    4. Capital plan, general
    5. Collection procedures
    6. Credit information
    7. Criticized assets
    8. Internal audit
    9. Internal controls
    10. Internal loan review
    11. Lending policy
    12. Liquidity
    13. Loan policy compliance
    14. Management study
    15. Participations purchased
    16. Trust management study

112. **Bank with assets of less than $25 million — Order to Cease and Desist**
    1. Brokered deposits, notification and reporting
    2. Capital plan, achieve and maintain predetermined minimum
    3. Collection procedures
    4. Concentrations of credit
    5. Criticized assets
    6. External audit
    7. Internal audit
    8. Internal controls
    9. Internal loan review
    10. Investment policy
    11. Liquidity
    12. Management and board supervision study
    13. Violations of law, general
    14. Violations of law, 12 U.S.C. 84

113. **Bank with assets of $50 to $100 million — Memorandum of Understanding**
    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Capital plan, achieve and maintain predetermined minimum
    4. Collateral exceptions
    5. Collection procedures
    6. Credit information exceptions
    7. Criticized assets
    8. EDP
    9. Internal audit
    10. Internal loan review
    11. Lending policy
    12. Profit plan

114. **Bank with assets of $25 to $50 million — Agreement**
    1. Allowance for loan and lease losses
    2. Brokered deposits, notification and reporting
    3. Capital plan, achieve and maintain predetermined minimum
    4. Collateral exceptions
    5. Credit information exceptions
    6. Criticized assets
    7. Internal loan review
    8. Lending policy
    9. Management and board supervision study
    10. Nonaccrual loans
    11. Profit plan
    12. Renewals of extensions of credit
    13. Violations of law, general

115. **Bank with assets of $100 to $500 million — Memorandum of Understanding**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Criticized assets
    4. Internal loan review
    5. Lending policy
    6. Violations of law, general

116. **Bank with assets of less than $25 million — Agreement**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Bank Secrecy Act compliance
    4. Collateral exceptions
    5. Conflict of interest policy
    6. Credit information exceptions
    7. Criticized assets
    8. Internal loan review
    9. Loan administration
    10. Management study
    11. Profit plan
    12. Violations of law, general
    13. Appointment of new, full-time cashier

117. **Bank with assets of $50 to $100 million — Order to Cease and Desist**
    1. Allowance for loan and lease losses
    2. Asset/liability management
    3. Brokered deposits, prohibition or eliminating dependence
    4. Call report
    5. Capital plan, achieve and maintain predetermined minimum

6. New chief executive officer
7. Collateral exceptions
8. Credit information exceptions
9. Criticized assets
10. Dividend restrictions, prior approval
11. External audit
12. Forward and standby contracts
13. Internal audit
14. Internal controls
15. Internal loan review
16. Investment policy
17. Lending policy
18. Management and board supervision study
19. Management study
20. Nonaccrual loans
21. Participations purchased
22. Profit plan
23. Renewals of extensions of credit
24. New senior lending officer
25. Violations of law, general
26. Violations of law, 12 U.S.C. 84, 161
27. Insider transactions
28. Banking Circular 115

118. Bank with assets of $100 to $500 million — Agreement

1. Allowance for loan and lease losses
2. Call report
3. Capital plan, achieve and maintain predetermined minimum
4. Conflict of interest policy
5. Credit information exceptions
6. Criticized assets
7. Dividend restrictions
8. Internal loan review
9. Investment portfolio, trading
10. Lending policy
11. Renewals of extensions of credit
12. Violations of law, general

119. Bank with assets of less than $25 million — Agreement

1. Agricultural lending policy
2. Allowance for loan and lease losses
3. Capital plan, achieve and maintain predetermined minimum
4. Collateral exceptions
5. Credit information exceptions
6. Criticized assets
7. Internal audit
8. Internal loan review
9. Lending policy
10. Loan administration

120. Bank with assets of $100 to $500 million — Agreement

1. Business/strategic plan
2. Capital plan, achieve and maintain predetermined minimum
3. Credit information exceptions
4. Criticized assets
5. Dividend restrictions
6. Internal loan review
7. Lending policy
8. Management study
9. Violations of law, general

121. Bank with assets of $50 to $100 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Call report
3. Capital plan, general
4. Collateral exceptions
5. Credit information exceptions
6. Criticized assets
7. EDP
8. Internal audit
9. Internal loan review
10. Lending policy
11. Management study
12. Renewals of extensions of credit
13. Truth in Lending
14. Violations of law, general

122. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Capital plan, general
5. Collateral exceptions
6. Concentrations of credit
7. Conflict of interest policy
8. Credit information exceptions
9. Criticized assets
10. Internal audit
11. Internal loan review
12. Liquidity
13. Profit plan
14. Violations of law, general
15. Banking Circular 115

123. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Call report
5. Capital plan, equity capital
6. Collection procedures
7. Credit information exceptions
8. Criticized assets

9. Dividend restrictions
10. Internal loan review
11. Lending policy
12. Management study
13. Profit plan
14. Violations of law, general

124. **Bank with assets of $50 to $100 million — Agreement**
1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. Capital plan, general
4. Collection procedures
5. Criticized assets
6. Dividend restrictions
7. Internal loan review
8. Management study
9. Participations purchased
10. Profit plan

125. **Bank with assets of less than $25 million — Order to Cease and Desist**
1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Business/strategic plan
5. Capital plan, general
6. New chief executive officer
7. Collateral exceptions
8. Collection procedures
9. Criticized assets
10. Dividend restrictions
11. External audit
12. Internal audit
13. Internal controls
14. Internal loan review
15. Lending policy
16. Liquidity
17. Loan policy compliance
18. Management study
19. Nonaccrual loans
20. Other real estate owned
21. Profit plan
22. Violations of law, general

126. **Bank with assets of $25 to $50 million — Agreement**
1. Allowance for loan and lease losses
2. Appraisals of real property
3. Asset/liability management
4. Brokered deposits, prohibition or eliminating dependence
5. Budget/financial plan
6. Capital plan, general
7. Collection procedures
8. Credit information exceptions
9. Criticized assets
10. Dividend restrictions, prior approval
11. External audit
12. Internal controls
13. Internal loan review
14. Lending policy
15. Management study
16. Profit plan
17. Violations of law, general

127. **Bank with assets of $25 to $50 million — Agreement**
1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. Budget/financial plan
4. Capital plan, general
5. Criticized assets
6. External audit
7. Internal controls
8. Internal loan review
9. Lending policy
10. Loan administration
11. Violations of law, general

128. **Bank with assets of $50 to $100 million — Agreement**
1. Agricultural lending policy
2. Allowance for loan and lease losses
3. Capital plan, general
4. Collateral exceptions
5. Credit information exceptions
6. Criticized assets
7. Internal loan review
8. Loan administration
9. New senior lending officer
10. Consumer violation, 12 C.F.R. 226

129. **Bank with assets of $100 to $500 million — Agreement**
1. Allowance for loan and lease losses
2. Collection procedures
3. Criticized assets
4. Internal loan review
5. Lending policy
6. Loan administration
7. Management study
8. Nonaccrual loans
9. New senior lending officer
10. Violations of law, general

130. **Bank with assets of $50 to $100 million — Agreement**
1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting

   4. Call report
   5. Capital plan, general
   6. Credit information exceptions
   7. Criticized assets
   8. Internal audit
   9. Internal loan review
   10. Loan administration
   11. Other real estate owned

131. **Bank with assets of $50 to $100 million — Agreement**
   1. Allowance for loan and lease losses
   2. Asset/liability management
   3. Brokered deposits, notification and reporting
   4. Business/strategic plan
   5. Capital plan, general
   6. Collateral exceptions
   7. Consumer compliance program
   8. Credit information exceptions
   9. Criticized assets
   10. Dividend restrictions
   11. Internal controls
   12. Internal loan review
   13. Investment policy
   14. Loan policy compliance
   15. Management study
   16. Participations purchased
   17. Profit plan
   18. Trust asset administration/audit
   19. Violations of law, general

132. **Bank with assets of $25 to $50 million — Agreement**
   1. Allowance for loan and lease losses
   2. Budget/financial plan
   3. Business/strategic plan
   4. Capital plan, general
   5. Collateral exceptions
   6. Collection procedures
   7. Consumer compliance program
   8. Credit information exceptions
   9. Criticized assets
   10. Dividend restrictions
   11. EDP
   12. External audit
   13. Internal audit
   14. Internal loan review
   15. Liquidity
   16. Management study
   17. Violations of law, general
   18. Banking Circular, 115

133. **Bank with assets of $100 to $500 million — Agreement**
   1. Agricultural lending, general
   2. Allowance for loan and lease losses
   3. Asset/liability management
   4. Call report
   5. Capital plan, general
   6. Concentrations of credit
   7. Credit information exceptions
   8. Criticized assets
   9. Dividend restrictions
   10. Earnings
   11. Internal loan review
   12. Liquidity
   13. Management study
   14. Violations of law, general
   15. Violations of law, 12 U.S.C. 371c
   16. Violations of law, 31 C.F.R. 103

134. **Bank with assets of $100 to $500 million — Agreement**
   1. Allowance for loan and lease losses
   2. Asset/liability management
   3. Brokered deposits, notification and reporting
   4. Business/strategic plan
   5. Capital plan, general
   6. Collection procedures
   7. Consumer compliance program
   8. Credit information exceptions
   9. Criticized assets
   10. Dividend restrictions
   11. EDP
   12. Liquidity
   13. Management study
   14. Other real estate owned
   15. Participations purchased
   16. Profit plan
   17. Trust asset administration/audit
   18. Violations of law, general
   19. Violations of law, 31 C.F.R. 103

135. **Bank with assets of less than $25 million — Order to Cease and Desist**
   1. Allowance for loan and lease losses
   2. Capital plan, general
   3. Credit information exceptions
   4. Criticized assets
   5. Dividend restrictions
   6. Internal loan review
   7. Management study
   8. New senior lending officer
   9. Violations of law, general
   10. Violations of law, 12 U.S.C. 84

136. **Bank with assets of $25 to $50 million — Agreement**
   1. Allowance for loan and lease losses
   2. Budget/financial plan
   3. Capital plan, general
   4. New chief executive officer

5. Criticized assets
6. Internal audit
7. Liquidity
8. Violations of law, general
9. Violations of law, 12 U.S.C. 84, 371c, 71a
10. Banking Circular 115

137. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Collateral exceptions
3. Credit information exceptions
4. Criticized assets
5. Internal loan review
6. Lending policy
7. Profit plan

138. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Business/strategic plan
4. Collateral exceptions
5. Credit information exceptions
6. Criticized assets
7. Internal controls
8. Internal loan review
9. Lending policy
10. Management study
11. Violations of law, general

139. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Business/strategic plan
5. Capital plan, general
6. Collateral exceptions
7. Collection procedures
8. Credit information exceptions
9. Criticized assets
10. Internal loan review
11. Lending policy
12. Liquidity
13. Management study
14. Participations purchased
15. Profit plan
16. Violations of law, general

140. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Capital plan, general
4. Collateral exceptions
5. Collection procedures
6. Credit information exceptions
7. Criticized assets
8. Internal loan review
9. Investment policy
10. Lending policy
11. Profit plan
12. Violations of law, general

141. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, notification and reporting
4. Budget/financial plan
5. Business/strategic plan
6. Collateral exceptions
7. Consumer compliance program
8. Credit information exceptions
9. Criticized assets
10. Internal loan review
11. Management and board supervision study
12. Profit plan
13. Violations of law, general

142. Bank with assets of $50 to $100 million — Memorandum of Understanding

1. Allowance for loan and lease losses
2. Criticized assets
3. Dividend restrictions
4. Lending policy
5. Loan administration
6. Management study
7. Profit plan
8. Violations of law, general

143. Bank with assets of less than $25 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Business/strategic plan
5. Call report
6. Capital plan, achieve and maintain predetermined minimun.
7. Collateral exceptions
8. Collection procedures
9. Concentrations of credit
10. Credit information exceptions
11. Criticized assets
12. Dividend restrictions, prior approval
13. Internal audit
14. Internal controls
15. Internal loan review
16. Investment policy
17. Lending policy

18. Liquidity
19. Management study
20. Nonaccrual loans
21. Violations of law, general

144. Bank with assets of $25 to $50 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Business/strategic plan
5. Capital plan, general
6. Collateral exceptions
7. Collection procedures
8. Conflict of interest policy
9. Credit information exceptions
10. Criticized assets
11. Internal loan review
12. Investment policy
13. Lending policy
14. Liquidity
15. Management study
16. Profit plan
17. Violations of law, general
18. Violations of law, 12 U.S.C. 84 and 375b

145. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Budget/financial plan
4. Capital plan, general
5. Collateral exceptions
6. Collection procedures
7. Credit information exceptions
8. Criticized assets
9. Dividend restrictions
10. Lending policy
11. Management study
12. Violations of law, general
13. Charge-off policy
14. Banking Circular 115
15. Banking Circular 202

146. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. Budget/financial plan
4. Capital plan, general
5. Criticized assets
6. Internal loan review
7. Lending policy
8. Liquidity
9. Loan policy compliance
10. Management and board supervision study
11. Other real estate owned
12. Violations of law, general

147. Bank with assets less than $25 million — Order to Cease and Desist

1. Bank Secrecy Act compliance
2. Violations of law, 12 U.S.C. 84
3. Violations of law, 31 C.F.R. 103

148. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Budget/financial plan
5. Business/strategic plan
6. Capital plan, achieve and maintain predetermined minimum
7. Collateral exceptions
8. Conflict of interest policy
9. Consumer compliance program
10. Credit information exceptions
11. Criticized assets
12. Dividend restrictions
13. Internal audit
14. Internal controls
15. Investment policy
16. Lending policy
17. Liquidity
18. Loan administration
19. Management study
20. Renewals of extensions of credit
21. Violations of law, general

149. Bank with assets of $100 to $500 million — Memorandum of Understanding

1. Allowance for loan and lease losses
2. Criticized assets
3. Internal loan review
4. Loan policy compliance
5. Nonaccrual loans
6. Participations purchased

150. Bank with assets of $50 to $100 million — Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. Capital plan, achieve and maintain predetermined minimum
4. Credit information exceptions
5. Criticized assets
6. Dividend restrictions, prior approval
7. Internal loan review
8. Nonaccrual loans

151. Bank with assets of $100 to $500 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Brokered deposits, notification and reporting
3. Credit information exceptions
4. Criticized assets
5. Dividend restrictions
6. EDP
7. Internal loan review
8. Management study
9. Other real estate owned
10. Renewals of extensions of credit
11. Violations of law, general
12. Violations of law, 12 U.S.C. 371c, 375(b)

152. Bank with assets of $50 to $100 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Capital plan, general
3. Collection procedures
4. Credit information exceptions
5. Criticized assets
6. Dividend restrictions, prior approval
7. Liquidity
8. Nonaccrual loans
9. Other real estate owned
10. Participations purchased
11. Banking Circular 181
12. Collection officer
13. Violations of law, 12 U.S.C. 84
14. Insider transactions

153. Bank with assets of less than $25 million — Order to Cease and Desist

1. Asset/liability management
2. Brokered deposits, prohibition or eliminating dependence
3. Capital plan, general
4. Management and board supervision study
5. Profit plan
6. Violations of law, general
7. Insider transactions

154. Bank with assets of less than $25 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Business/strategic plan
5. Capital plan, general
6. Collateral exceptions
7. Collection procedures
8. Credit information exceptions
9. Criticized assets
10. Dividend restrictions, prior approval
11. Lending policy
12. Internal loan review
13. Liquidity
14. Management and board supervision study
15. Profit plan
16. New senior lending officer
17. Violations of law, general
18. Board of directors
19. Insider transactions
20. Blanket bond coverage
21. Recordkeeping

155. Bank with assets of $100 to $500 million — Agreement

1. Agricultural lending policy
2. Allowance for loan and lease losses
3. Brokered deposits, prohibition or eliminating dependence
4. Business/strategic plan
5. Capital plan, achieve and maintain predetermined minimum
6. Credit information exceptions
7. Criticized assets
8. Dividend restrictions
9. EDP
10. Internal loan review
11. Lending policy
12. Management and board supervision study
13. Nonaccrual loans
14. New senior lending officer
15. Violations of law, general

156. Bank with assets of $100 to $500 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. Capital plan, general
4. Collateral exceptions
5. Conflict of interest policy
6. Credit information exceptions
7. Criticized assets
8. Dividend restrictions
9. Internal controls
10. Internal loan review
11. Loan administration
12. Management study
13. Nonaccrual loans
14. Overdraft policy
15. New senior lending officer
16. Trust management study
17. Violations of law, general
18. Violations of law, 12 U.S.C. 375b
19. Violations of law, 12 C.F.R. 215

157. Bank with assets of $50 to $100 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. Business/strategic plan
4. Capital plan, achieve and maintain predetermined minimum
5. New chief executive officer
6. Credit information exceptions
7. Dividend restrictions, prior approval
8. EDP
9. Internal loan review
10. Lending policy
11. Liquidity
12. Profit plan
13. New senior lending officer
14. Violations of law, general
15. Fidelity bond insurance policy

158. Bank with assets of less than $25 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Capital plan, general
5. Consumer compliance program
6. Credit information exceptions
7. Criticized assets
8. Dividend restrictions
9. Internal loan review
10. Lending policy
11. Loan administration
12. Management study
13. Participations purchased
14. Profit plan
15. Violations of law, general
16. Violations of law, 12 U.S.C. 84

159. Bank with assets of less than $25 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. Business/strategic plan
4. Capital plan, general
5. Credit information exceptions
6. Dividend restrictions
7. Internal audit
8. Internal loan review
9. Management study

160. Bank with assets of less than $25 million — Order to Cease and Desist

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Capital plan, equity capital
5. Collateral exceptions
6. Consumer compliance program
7. Credit information exceptions
8. Criticized assets
9. Internal loan review
10. Lending policy
11. Liquidity
12. Management study
13. Nonaccrual loans
14. Profit plan
15. Renewals of extensions of credit
16. Violations of law, general
17. Violations of law, 12 U.S.C. 71
18. Geographic trade area

161. Bank with assets of $25 to $50 million — Order to Cease and Desist

1. Asset/liability management
2. Brokered deposits, prohibition or eliminating dependence
3. New chief executive officer
4. Lending policy
5. New senior lending officer

162. Bank with assets of $100 to $500 million — Amended Order to Cease and Desist

1. Brokered deposits, prohibition or eliminating dependence
2. Capital injection
3. Conflict of interest policy
4. Internal audit
5. Internal controls
6. Liquidity
7. Special counsel
8. Violations of law, general
9. Violations of law, 12 U.S.C. 84
10. Fidelity bond insurance
11. Insider transactions
12. Business/strategic plan

163. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Brokered deposits, prohibition or eliminating dependence
4. Budget/financial plan
5. Business/strategic plan
6. Call report, refile and republish
7. Capital plan, achieve and maintain predetermined minimum
8. New chief executive officer
9. Collateral exceptions
10. Concentrations of credit

11. Conflict of interest policy
12. Credit information exceptions
13. Criticized assets
14. Dividend restrictions, prior approval
15. External audit
16. Internal audit
17. Internal controls
18. Lending policy
19. Liquidity
20. Loan administration
21. Management study
22. Nonaccrual loans
23. Violations of law, general
24. Violations of law, 12 U.S.C. 84

164. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. Credit information exceptions
4. Criticized assets
5. Loan administration

165. Bank with assets of less than $25 million — Agreement

1. Agricultural lending policy
2. Allowance for loan and lease losses
3. Asset/liability management
4. Brokered deposits, notification and reporting
5. Capital plan, general
6. New chief executive officer
7. Credit information exceptions
8. Criticized assets
9. Dividend restrictions, prior approval
10. Internal loan review
11. Lending policy
12. Restitution
13. Violations of law, general
14. Violations of law, 12 U.S.C. 84

166. Bank with assets of less than $25 million — Agreement

1. Agricultural lending policy
2. Allowance for loan and lease losses
3. Asset/liability management
4. Brokered deposits, notification and reporting
5. Capital plan, equity capital
6. Consumer compliance program
7. Credit information exceptions
8. Criticized assets
9. Dividend restrictions, prior approval
10. Internal loan review
11. Investment policy
12. Lending policy
13. Loan administration
14. Loan policy compliance
15. Management study
16. New senior lending officer
17. Violations of law, general

167. Bank with assets of $25 to $50 million — Agreement

1. Allowance for loan and lease losses
2. Brokered deposits, prohibition or eliminating dependence
3. Budget/financial plan
4. Capital plan, achieve and maintain predetermined minimum
5. Credit information exceptions
6. Criticized assets
7. Dividend restrictions, prior approval
8. External audit
9. Internal loan review
10. Lending policy
11. Management study
12. Violations of law, general

168. Bank with assets of $100 to $500 million — Agreement

1. Allowance for loan and lease losses
2. Asset/liability management
3. Board's committee structure
4. Brokered deposits, prohibition or eliminating dependence
5. Business/strategic plan
6. Capital plan, achieve and maintain predetermined minimum
7. Credit information exceptions
8. Criticized assets
9. Internal loan review
10. Lending policy
11. Loan administration
12. Loan policy compliance
13. Management study
14. Other real estate owned
15. Violations of law, general
16. Trust activities

169. Bank with assets of less than $25 million — Memorandum of Understanding

1. Agricultural lending policy
2. Allowance for loan and lease losses
3. Asset/liability management
4. Brokered deposits, notification and reporting
5. Capital plan, general
6. Credit information exceptions
7. Criticized assets
8. Dividend restrictions
9. Internal loan review
10. Lending policy
11. Violations of law, general

Civil Money Penalties

1. Failed bank

The executive vice president's checking account was continually overdrawn. At one point he was overdrawn for 57 days up to $3,000. No overdraft fees had been charged or paid and warnings against overdrafts were given in consecutive examinations.

A Civil Money Penalty of $10,000 was considered appropriate although the final assessment was reduced to $1,000 based on respondent's lack of financial resources. The assessment became final by default.

2. Failed bank

The former president of the bank had made over one dozen loans in excess of the bank's lending limit and large losses resulted. Several loans were nominee loans to the president's family and friends on more favorable terms than similar borrowers were receiving. Proceeds of these loans went to the benefit of the president. No disclosure was made to the board of directors. The bank's former chief executive officer received loans in excess of the bank's legal limit authorized for executive officers. These lending activities contributed to the failure of the bank.

A Civil Money Penalty of $1 million was deemed appropriate for the activities of the president (who also had been indicted) but a final order of assessment of $100,000 was issued based on his lack of financial resources. A Civil Money Penalty of $50,000 was deemed appropriate for the former chief executive officer, but based on his lack of financial resources a final order of assessment of $10,000 was issued.

3. Failed bank

The bank had been under the provisions of an Order to Cease and Desist for about 2 years. Compliance with the Order in general was poor and violations of the capital article, criticized assets article and articles dealing with the loan review system, allowance for loan and lease losses, violations of law, internal audit and internal controls were reported in a recent examination report.

A Civil Money Penalty of $2,000 was issued against each of six members of the board of directors for failure to comply with the provisions of the Order.

4. Bank with assets of less than $25 million

A comprehensive examination of the bank revealed that the former chairman of the board had received a real estate loan that did not contain a definite repayment program. Such a loan is considered preferential and violative of the provisions of 12 U.S.C. 375b(3) and 12 C.F.R. 215.4. The examination also revealed that the chairman had overdrawn his account nearly sixty times in little over a year. He never paid an overdraft fee and those that were assessed were rebated at his specific insistence.

A Civil Money Penalty of $1,500 was issued against the former chairman.

5. Bank with assets of $25 to $50 million

A comprehensive examination of the bank revealed that the president of the bank had been issuing unfunded cashier's checks for his personal use for more than 1 year. This practice, though criticized by the bank's own internal auditor, was not reported to the board. The activity was considered a violation of 12 U.S.C. 375a(1) and 375a(3) which generally prohibit extensions of credit to insiders unless the extensions have been reported to the board and specifically prohibit preferential extensions of credit. At the insistence of the board, the president resigned his position at the bank.

A Civil Money Penalty of $1,500 was issued.

6. Bank with assets of less than $25 million

The president of the bank approved advances to borrowers in amounts that exceeded the bank's lending limit. The president attempted to conceal his activity from both the board and national bank examiners. Violations of 12 U.S.C. 375a and 375b involving the president's approval of excessive loans to himself and other bank insiders, and extensions of credit with preferential interest rates were found.

Although an assessment of $15,000 was considered to be appropriate, in view of the individual's financial condition a Civil Money Penalty of $5,000 was issued.

7. Bank with assets of less than $25 million

The bank's president and a director violated the provisions of 12 U.S.C. 375b(4) and 12 C.F.R. 215.4(d) by causing the bank to pay more than 250 overdrafts on their accounts. The violations occurred primarily during a six month period and were not mere oversights. Though the overdrafts did not result in direct loss to the bank, overdraft charges of nearly $1,300 were not paid.

A Civil Money Penalty of $5,000 was issued. Under the Order, only $500 must be paid if the former president repays the bank the $1,300 in overdraft fees.

8. Bank with assets of $100 to $500 million

An examination revealed that the chairman of the board had caused the bank to extend credit to a family relative and the relative's interests in excess of the bank's lending limit without review of proper financial information and without consideration of repayment ability. The chairman also caused the bank to make additional loans in violation of the bank's lending limit. Losses to the bank were over $1 million.

A Civil Money Penalty of $250,000 was assessed against the chairman of the board. The Order was issued by default.

9. Bank with assets of less than $25 million

An examination revealed that the bank's chief executive officer had speculated in the bond market using repurchase agreements to hide taking losses. At one time approximately 50 percent of the bank's assets were involved in the scheme. When discovered by the national bank examiner the losses from the speculation approximated 46 percent of the bank's capital. During these activities the bank filed false call reports misstating the investment account and income and expenses from bond trading. The chief executive officer also was discovered to have lent money to friends and business associates without reporting his interest to the board. Losses from the business venture loans were absorbed by the bank.

Civil Money Penalties were assessed against the chief executive officer and four other directors. A final order of assessment of a Civil Money Penalty of $10,000 was issued to the chief executive officer who was under an Order of Suspension at the time. The chief executive officer also consented to a Removal Order and had resigned his position at the bank. The actions against the other directors are pending.

10. Failed bank

An examination revealed that the bank had serious problems. Its capital was inadequate, its allowance for loan and lease losses was not maintained at an adequate level, several violations of law had occurred and appropriate operating policies had not been established or followed. The bank was operating under an Order to Cease and Desist which contained provisions addressing these areas, yet the board of directors had failed to carry out the terms of the Order and the bank's condition had not improved.

Civil Money Penalties were assessed against each of five directors. A final order of assessment of $1,000 each was issued by the Comptroller after an administrative hearing.

11. Bank with assets of less than $25 million

An examination of the bank disclosed violations of 12 U.S.C. §§375b(2) and 375b(3) and 12 C.F.R. Part 215. These violations involved renewal of a loan to an executive officer on preferential terms and without prior board approval. The situation was aggravated by the bank's former president-chief executive officer having personally benefitted as a result of the loan.

Civil Money Penalties were assessed against the former president-chief executive officer and ten other members of the board. A final Order of Assessment of $18,000 was assessed against the former president-chief executive officer, who was also directed to reimburse the bank for lost interest as a result of the loan. Final Orders of Assessment of $2,000 each were issued against the ten individual members of the bank's board of directors.

12. Bank with assets of less than $25 million

An examination of the bank revealed violations of 12 U.S.C. §§84 and 371c. The lending limit violations resulted from loans made to purchase partnership shares in a business venture involving a resort project outside the continental United States. The bank also purchased a low quality asset from an affiliate. The bank suffered substantial losses on these transactions.

Civil Money Penalties were assessed against the six members of the bank's board of directors. A final order of assessment of $1,000 was issued against one director who stipulated to a lifetime removal from banking. A final order of assessment of $2,000 was issued to each of the remaining five directors.

13. Bank with assets of less than $25 million

An examination revealed violations of 12 U.S.C. §§84, 371c, 375a, 375b and 12 C.F.R. Part 215. In addition, the examination disclosed violations of an outstanding cease and desist order issued against the bank. Lending limit violations were caused primarily by funding new loans before participation agreements could be effected. Insider violations resulted from the bank's practice of repeatedly paying overdrafts of an executive officer and his related interests. The gravity of the situation was aggravated because of substantial losses resulting from the lending limit violations and the involvement of the bank's chairman of the board in those violations.

A final Civil Money Penalty of $15,000 was assessed against the chairman of the board, who also stipulated to a partial removal from banking. The bank's former president consented to the payment of a penalty in the amount of $1,000. This individual was involved in lending limit violations at the bank but had resigned before the other violations took place. A final order of assessment of $1,500 was issued to one director and a final order of assessment of $2,000 was issued against three directors.

14. Bank with assets of less than $25 million

An examination revealed a significant violation of the bank's lending limit under 12 U.S.C. §84 had occurred prior to a change in bank ownership and management. The former president, who was the sole lending officer of the bank, had authorized a loan in violation of the lending limit. The funds were disbursed to an intermediary and were then transferred to a borrower who was already at the bank's limit. The former president was aware of the relationship and facilitated the lending violation. The loan was ultimately written off as a loss.

A Civil Money Penalty was assessed against the former president. A final order of assessment of $1,000 was issued and the former president also stipulated to a removal from banking.

15. Bank with assets of less than $25 million

An examination revealed several substantial violations of the bank's lending limit under 12 U.S.C. §84. These violations have been structured and approved by the bank's president and vice president.

Civil Money Penalties were assessed against the president and vice president. A final Order of Assessment of $5,000 each was issued.

16. Bank with assets of $100 to $500 million

An examination of the bank revealed one violation of 12 U.S.C. §84 which was created by the bank's payment of excessive overdrafts and other commercial loans to three entities. The overdrafts and commercial loans were combined under the common enterprise doctrine. Losses of about $657,000 were involved. The directors of the bank reimbursed the bank for this loss.

A Civil Money Penalty was assessed against the president of the bank. In light of the continuing nature of the violation and the president's failure to take any action to correct the violation a final order of assessment of $5,000 was issued.

17. Bank with assets of less than $25 million

An examination of the bank revealed repeat violations of 12 U.S.C. §375b and 12 C.F.R. §215 involving preferential loans to officers of the bank. The bank had a history of extending credit to officers at preferential interest rates.

A Civil Money Penalty of $2,000 was assessed against each of the three directors who approved the illegal extensions of credit. Civil Money Penalties of $2,500 and and $4,000 were assessed against the president and the former executive vice president, respectively, who received financial benefit as a result of preferential treatment.

18. Bank with assets of less than $25 million

The bank failed to comply with its own lending policies and procedures as required by an outstanding Order to Cease and Desist. The bank also failed to maintain its allowance for possible loan losses at an adequate level, also required under the Order.

Civil Money Penalties were assessed against each of six directors and against the former chief executive officer. A final Order of Assessment of $1,500 was issued against six directors and a final order of $3,000 was issued against the former chief executive officer who played a controlling role in the bank.

19. Failed bank

An examination revealed serious violations of an outstanding Cease and Desist Order. The violations involved loans to the bank's chairman which did not proceed through proper approval channels at the bank. Management had previously been warned about the rules and regulations pertaining to insider loans.

Civil Money Penalties were assessed against the bank's chairman of the board and against one other director. A final order of assessment of $10,000 was issued against each of them.

20. Bank with assets of less than $25 million

An examination revealed numerous violations of 12 U.S.C. §§371c, 375a, 375b and 12 C.F.R. §215. All the violations had occurred during a two and one half month period and resulted in significant insider benefit. The bank has been warned concerning requirements pertaining to insider loans.

Civil Money Penalties of $1,000 were assessed against the bank's president and vice president. A final order of assessment of $12,500 was issued against the chairman of the board.

21. Bank with assets of $50 to $100 million

An examination of the bank revealed numerous violations of 12 U.S.C. §84 as well as 12 U.S.C. §§371c and 375a. These violations involved loans to the related interestss of chairman of the board and the president. The lending limit violation resulted in a loss to the bank.

A Civil Money Penalty of $25,000 was assessed against the president. A penalty of $50,000 would otherwise be warranted but was reduced because of the president's financial situation. A final order of assessment of $25,000 was also issued to the chairman of the board. Two members of the board were issued final orders of assessment of $3,000.

22. Bank with assets of less than $25 million

An examination revealed that the bank's president had sought to avoid, and thus violated, the prohibition of an Order to Cease and Desist against further loans to himself or his related interests, unless proper loan documentation was available and the loan was safe and sound. The president made a loan to his son who turned the proceeds over to the president. The son had only a small income and no collateral to support the loan.

A Civil Money Penalty was assessed against the president for violation of the Order to Cease and Desist. A final order of assessment of $4,500 was issued.

23. Bank with assets of less than $25 million

An examination of the bank revealed serious violations of an outstanding Cease and Desist Order. Bank management had previously been cautioned by the Comptroller's Office regarding noncompliance with the Order.

Civil Money Penalties were assessed against the Board of Directors. A final assessment of $5,000 was issued to one director. The other cases were settled previously.

24. Bank with assets of $50 to $100 million

An examination of another national bank revealed that the individual, while he was an officer and director of the other bank, had violated federal criminal and banking laws resulting in his personal gain and in detriment to the bank. The individual had moved to a second national bank were he was the executive vice president when his history was uncovered. The violations included several nominee loans from which he received proceeds, falsifying bank records to divert payments to his own account and causing a false appraisal of his residence to give him additional funds from a refinancing. The nominee loans and the excessive refinancing, when combined with his other loans, violated 12 U.S.C. §84, and many loans were made to him without board approval and in excess of permissible limits to insiders.

A Civil Money Penalty was assessed against the executive vice president for the violations of federal banking law. A final order of assessment of $4,000 was issued to the individual who also stipulated to an Order of Removal for his activities in the other financial institution.

25. Bank with assets of $100 to $500 million

An examination of the bank revealed that there was continued noncompliance with an Order to Cease and Desist. Violations of the Order had continued through three examinations.

A Civil Money Penalty was assessed against the bank and against each of six directors. A final order of assessment of $50,000 was issued against the bank and a final order of assessment of $70,000 was issued against the six members of the Board as a group.

26. Bank with assets of less than $25 million

An examination of the bank revealed that there were two violations of 12 U.S.C. 84. The bank had a history of section 84 violations for several prior examinations.

A Civil Money Penalty was assessed against the six members of the Board of Directors for violations of 12 U.S.C. section 84. A final order of assessment of $1,500 was issued against each the five members of the Board of Directors. The sixth assessment is in litigation.

27. Bank with assets of less than $25 million

An examination revealed significant insider abuse including violations of 12 U.S.C. §§84, 371c, 375a and 375b and 501. The chairman of the board/chief executive officer had caused unsecured credit to be extended to certain bank affiliates which he controlled. Some of these loans were classified, and some of the proceeds were funnelled through the affiliate accounts into the individual's personal checking account and then used to purchase additional stock in the bank. Also, in furtherance of a scheme to sell this stock, he caused further classified loans to be made to the purchasers and caused the bank to certify a check against insufficient funds.

A Civil Money Penalty was assessed against the individual. A final order of assessment of $7,500 was issued.

Securities Enforcement Actions

1. Industrial National Bank of East Chicago, East Chicago, Indiana

Bank, with common stock registered pursuant to section 12 of the Securities Exchange Act of 1934 (Exchange Act), repeatedly failed to file or file on a timely basis its required Annual and Quarterly Reports in violation of section 13 of the Exchange Act. Also, the bank distributed to its shareholders proxy solicitation materials without filing the preliminary or definitive materials with this Office, as required by 12 C.F.R. § 11.5(f)(1985). In addition, the materials, as distributed, were false and misleading and omitted material facts.

A Civil Injunctive Action was brought against the bank which resulted in its consent to an order of permanent injunction issued by a U.S. District Court. The Court enjoined the bank from failing to file or filing in an untimely manner any proxy or information statements and from filing false or misleading proxy or information statements. The Court also enjoined the bank from failing to file or filing in an untimely manner any annual, quarterly or other report, and ordered the bank to file amendments to three quarterly reports that had been filed, but that did not conform to the reporting requirements found in 12 C.F.R. Part 11. Finally, the bank was ordered to solicit shareholder proxies only in compliance with Section 14(a) of the Exchange Act and the rules and regulations of the Comptroller promulgated thereunder.

2. **Farmers National Bank of Appomattox, Appomattox, Virginia.**

Bank, with common stock registered pursuant to section 12 of the Securities Exchange Act of 1934 (Exchange Act), distributed proxy materials to its shareholders without filing these materials with the OCC prior to distribution. These materials, as distributed, contained false and misleading information. Also, the bank failed to file in a timely manner its required annual and quarterly Reports in violation of section 13 of the Exchange Act. These reports, as filed, contained insufficient and misleading information. Finally, the bank was required to register its stock pursuant to Section 12 of the Exchange Act in 1974, but had failed to do so until 1985. The registration statement, as filed in 1985, was deficient and misleading.

A Civil Injunctive Action was brought against the bank which resulted in its consent to an order of permanent injunction issued by a U.S. District Court. The Court enjoined the bank from failing to file or filing in an untimely manner any proxy or information statements and from filing false or misleading proxy or information statements. The bank was ordered to reconvene its 1986 annual meeting of shareholders and to solicit proxies in conformance with applicable regulations. In addition, the order requires the bank to file delinquent or amend existing Exchange Act Reports in accordance with applicable laws and regulations.

BLANK PAGE

Mergers—April 1 to June 30, 1986

Mergers consummated involving two or more operating banks.

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February 14, 1986*:
  Pan American Bank, National Association, Miami, Florida
  National Bank of Florida, Miami, Florida
  Merger 121
March 10, 1986*:
  NCNB National Bank of North Carolina, Charlotte, North Carolina
  One Branch of First Union National Bank, Charlotte, North Carolina
  Purchase 121
April 1, 1986:
  Dominion Bank of Northern Virginia, National Association, Vienna, Virginia
  Continental Bank and Trust Company, Springfield, Virginia
  Merger 122
April 3, 1986:
  Industrial National Bank of East Chicago, East Chicago, Indiana
  Mercantile National Bank of Indiana, Hammond, Indiana
  Purchase 122
April 7, 1986:
  The Connecticut Bank and Trust Company, National Association, Hartford, Connecticut
  One Branch of Bristol Savings Bank, Bristol, Connecticut
  Purchase 123
April 11, 1986:
  First National Bank in Grand Junction, Grand Junction, Colorado
  First National Bank-North in Grand Junction, Grand Junction, Colorado
  Merger 124
April 15, 1986:
  United Missouri Bank of St. Louis County, National Association, Clayton, Missouri
  United Missouri Bank of Jefferson County, Arnold, Missouri
  United Missouri Bank of St. Louis, National Association, St. Louis, Missouri
  Merger 124
April 16, 1986:
  Security First National Bank, Alexandria, Louisiana
  The First National Bank of Ruston, Ruston, Louisiana
  Purchase 124
April 18, 1986:
  American National Bank of Florida, Jacksonville, Florida
  Florida Center Bank, Orlando, Florida
  Purchase 125
April 18, 1986:
  Citibank, National Association, New York, New York
  Four Branches of Republic National Bank of New York, New York
  Purchase 126
April 18, 1986:
  The First National Bank of Boston, Boston, Massachusetts
  Bank of Boston-Bristol, National Association, New Bedford, Massachusetts
  Merger 127
April 19, 1986:
  Key Bank of Southeastern New York National Association, Chester, New York
  Three Branches of Peoples Westchester Savings Bank, Tarrytown, New York
  Purchase 127

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April 20, 1986:
  Society Bank National Association, Springfield, Ohio
  Society Bank of Southern Ohio, Hamilton, Ohio
  Merger 128
April 21, 1986:
  The Third National Bank and Trust Company of Dayton, Ohio, Dayton, Ohio
  Society Bank National Association, Springfield, Ohio
  Merger 128
April 24, 1986:
  First National Bank of Irving, Irving, Texas
  City National Bank of Irving, Irving, Texas
  Purchase 128
April 28, 1986:
  First National Bank and Trust Company of Naples, Naples, Florida
  The First Bank of Marco Island, National Association, Marco Island, Florida
  Merger 129
April 28, 1986:
  Gulf Coast National Bank, Sarasota, Florida
  South County Bank, South Venice, Florida
  Merger 130
April 30, 1986:
  The Citizens National Bank of Meridian, Meridian, Mississippi
  Two Branches of Deposit Guaranty National Bank, Jackson, Mississippi
  Purchase 130
April 30, 1986:
  Peoples Bank of Port Huron, Port Huron, Michigan
  NBD Port Huron Bank, National Association, Port Huron, Michigan
  Merger 131
April 30, 1986:
  Second National Bank of Saginaw, Saginaw, Michigan
  One Branch of Michigan National Bank-Valley, Midland, Michigan
  Purchase 132
May 1, 1986:
  American National Bank of Bedford, Bedford, Iowa
  The Bedford National Bank, Bedford, Iowa
  Merger 133
May 1, 1986:
  The First National Bank of Manistique, Manistique, Michigan
  Manistique Lakes Bank, Curtis, Michigan
  Merger 133
May 1, 1986:
  Marquette Bank Minneapolis, National Association, Minneapolis, Minnesota
  Fidelity Bank Northeast, Minneapolis, Minnesota
  Merger 133
May 3, 1986:
  First Eastern Bank, National Association, Wilkes-Barre, Pennsylvania
  The Hawley Bank, Hawley, Pennsylvania
  Merger 134
May 5, 1986:
  The Second National Bank of Richmond, Richmond, Indiana
  Citizens Banking Company, Lynn, Indiana
  Merger 134

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May 8, 1986:
The First National Bank and Trust Company of Tulsa, Tulsa, Oklahoma
Bank of Commerce and Trust Company, Tulsa, Oklahoma
Purchase 135

May 9, 1986:
Bayshore National Bank of La Porte, La Porte, Texas
Bayport National Bank, La Porte, Texas
Merger 136

May 9, 1986:
The First National Bank of Glenwood Springs, Glenwood Springs, Colorado
First National Bank in Battlement Mesa, Parachute, Colorado
Merger 136

May 9, 1986:
The Idaho First National Bank, Boise, Idaho
First Bank & Trust of Idaho, Malad City, Idaho
Purchase 137

May 17, 1986:
NCNB National Bank of Florida, Tampa, Florida
Pan American Bank of Orlando, National Association, Orlando, Florida
Pan American Bank of Tampa, Tampa, Florida
Merger 138

May 17, 1986:
The Second National Bank and Trust Company of Lexington, Lexington, Kentucky
The Bank of Commerce and Trust Company, Lexington, Kentucky
Consolidation 138

May 19, 1986:
The First Bankers of Palm Beach County, National Association, Boca Raton, Florida
The Mall Bank, West Palm Beach, Florida
Merger 139

May 23, 1986:
Centennial State Bank of Colorado, Englewood, Colorado
First Interstate Bank of Centennial, National Association, Englewood, Colorado
Purchase 139

May 23, 1986:
Texas American Bank/Houston, National Association, Houston, Texas
Texas American Bank/Galleria, Houston, Texas
Merger 140

May 30, 1986:
The Bank of Columbia Falls, Columbia Falls, Montana
First Citizens Bank National Association, Columbia Falls, Montana
Purchase 140

May 30, 1986:
The Liberty National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma
The First National Bank and Trust Company of Norman, Norman, Oklahoma
Purchase 141

May 30, 1986:
Wells Fargo Bank, National Association, San Francisco, California
Crocker National Bank, San Francisco, California
Merger 142

May 31, 1986:
Bank One, Milford, National Association, Milford, Ohio
Six Branches of BancOhio National Bank, Columbus, Ohio
Purchase 142

May 31, 1986:
First National Bank of Metamora, Metamora, Illinois
Peoples State Bank of Roanoka, Roanoka, Illinois
Merger 143

June 1, 1986:
Capital National Bank of New York, New York, New York
One Branch of Eastern Savings Bank, Scarsdale, New York
Purchase 143

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June 1, 1986:
The National Bank of Waterloo, Waterloo, Iowa
Gilbertville Savings Bank, Gilbertville, Iowa
Merger 144

June 1, 1986:
Rainier National Bank, Seattle, Washington
South Sound National Bank, Lacey, Washington
Merger 145

June 2, 1986:
Bank of Galesburg, Galesburg, Illinois
First Farmers National Bank of Knoxville, Knoxville, Illinois
Merger 145

June 2, 1986:
The Boatmen's National Bank of St. Louis, St. Louis, Missouri
General Bank of St. Louis County, Clayton, Missouri
General Bank, St. Louis, Missouri
Merger 146

June 4, 1986:
Florida National Bank, Jacksonville, Florida
Citrus Park Bank, Hillsborough County, Florida
Merger 146

June 6, 1986:
Valley National Bank, Passaic, New Jersey
The First National Bank and Trust Company of Kearny, Kearny, New Jersey
Merger 146

June 9, 1986:
Atlantic National Bank of Florida, Jacksonville, Florida
The First Bankers of Polk County, Haines City, Florida
Atlantic National Bank of Miami, Miami, Florida
The First Bankers of Volusia County, N.A., New Smyrna, Florida
The First Bankers of Orange County, N.A., Winter Garden, Florida
The First Bankers of Indian River County, Vero Beach, Florida
The First Bankers of Tampa Bay, National Association, St. Petersburg, Florida
The First Bankers, N.A., Pompano Beach, Florida
The First Bankers of Palm Beach County, National Association, Boca Raton, Florida
The First Bankers of Florida, National Association, Cape Canaveral, Florida
The Bank of Pasco County, Dade City, Florida
Merger 146

June 13, 1986:
The First National Bank of Shreveport, Shreveport, Louisiana
Bossier Bank and Trust Company, Bossier City, Louisiana
Purchase 147

June 19, 1986:
First National Bank of Borger, Borger, Texas
First National Bank of Borger, Borger, Texas
Purchase 148

June 20, 1986:
The First National Bank of Boston, Boston, Massachusetts
Bank of Boston-Western Massachusetts, National Association, Springfield, Massachusetts
Merger 149

June 27, 1986:
Bank of New England-Bay State, National Association, Lawrence, Massachusetts
Bank of New England-Bristol County, N.A., Fall River, Massachusetts
Bank of New England-North Shore, Gloucester, Massachusetts
Bank of New England-Barnstable County, National Association, Hyannis, Massachusetts
Bank of New England-Worcester County, National Association, Boston, Massachusetts
Bank of New England-Hancock, Quincy, Massachusetts
Merger 149

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June 27, 1986:
The Chase Manhattan Bank (National Association), New York, New York
One Branch of American Savings Bank, FSB, New York, New York
Purchase 149

June 28, 1986:
First Florida Bank, National Association, Tampa, Florida
Rutland Bank, St. Petersburg, Florida
Merger 150

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June 30, 1986:
First National Bank of Warsaw, Warsaw, Indiana
The Etna Bank, Etna Green, Indiana
Merger 150

June 30, 1986:
Northeast State Bank of Alabama, Henagar, Alabama
FNS Interim Bank, National Association, Scottsboro, Alabama
Merger 151

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*Notice of these mergers was received after the deadline for Volume 5, Number 2.

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PAN AMERICAN BANK, NATIONAL ASSOCIATION,
Miami, Florida, and National Bank of Florida, Miami, Florida

Names of banks and type of transaction	*Total assets*
National Bank of Florida, Miama, Florida, (14771), with	**$ 86,823,000**
and Pan American Bank, National Association, Miami, Florida (16442), which had	**1,055,308,000**
merged February 14, 1986, under charter and title of the latter. The merged bank at date of merger had	**1,142,131,000**

COMPTROLLER'S DECISION

On November 5, 1985, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Pan American Bank, National Association, Miami, Florida (Pan American), with National Bank of Florida, Miami, Florida (NBF). This application was based on an agreement finalized between the proponents on October 23, 1985.

As of June 30, 1985, NBF, an independent bank, had total deposits of $76 million and operated 4 offices. On the same date, Pan American had total deposits of $854 million and operated 34 offices. Pan American is wholly owned and controlled by Pan American Banks, Inc., a multi-bank holding company.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a merger clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a merger that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find the financial and managerial resources of NBF and Pan American to be satisfactory. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

January 10, 1986

The Attorney General's Report was not available at press time.

* * *

NCNB NATIONAL BANK OF NORTH CAROLINA,
Charlotte, North Carolina, and One Branch of First Union National Bank, Charlotte, North Carolina

Names of banks and type of transaction	*Total assets*
One Branch of First Union National Bank, Charlotte, North Carolina (15650), with	**$ 2,069,000**
was purchased March 10, 1986, by NCNB National Bank of North Carolina, Charlotte, North Carolina (13761), which had	**11,440,438,000**
After the purchase was effected, the receiving bank had	**11,448,115,000**

COMPTROLLER'S DECISION

On December 12, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to purchase the assets and assume the liabilities of the Brevard Main Office of the First Union National Bank, Charlotte, North Carolina, by NCNB National Bank of North Carolina, Charlotte, North Carolina (NCNB). This application was filed pursuant to an agreement finalized between the proponents on October 21, 1985.

As of September 30, 1985, the Brevard Main Office held total deposits of $7.7 million. On the same date, NCNB had total deposits of $7.5 billion in 229 offices operated statewide. NCNB is wholly owned and operated by NCNB Corporation.

The relevant geographic market for the proposed transaction is Transylvania County. Situated in the southwestern portion of the state, over half of the county is included in the Pisgah National Forest. Brevard is the only population center in the county, and all offices of financial institutions except one are located in Brevard.

Competition in the county currently consists of two banks and three thrift institutions. While the market leader is a local thrift (with 45 percent of market deposits), both banks competing in the market are offices of major statewide organizations. The Brevard Main Office holds a 4.7 percent market share. Following consummation, NCNB would rank sixth in the market. Consummation of the proposed transaction would result in increased competition in the relevant geographic market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of NCNB and First Union National Bank are satisfactory. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828 (c), and find that it will not significantly lessen competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

February 3, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

DOMINION BANK OF NORTHERN VIRGINIA, NATIONAL ASSOCIATION,
Vienna, Virginia, and Continental Bank and Trust Company, Springfield, Virginia

Names of banks and type of transaction	*Total assets*
Dominion Bank of Northern Virginia, National Association, Vienna, Virginia (14904), with	**$323,949,000**
and Continental Bank and Trust Company, Springfield, Virginia, which had	**28,216,000**
merged April 1, 1986, under charter and title of the former. The merged bank at date of merger had	**353,244,000**

* * *

INDUSTRIAL NATIONAL BANK OF EAST CHICAGO,
East Chicago, Indiana, and Mercantile National Bank of Indiana, Hammond, Indiana

Names of banks and type of transaction	*Total assets*
Industrial National Bank of East Chicago, East Chicago, Indiana (16760), with	**$357,097,000**
was purchased April 3, 1986, by Mercantile National Bank of Indiana, Hammond, Indiana (14529), which had	**6,300,000**
After the purchase was effected, the receiving bank had	**363,397,000**

COMPTROLLER'S DECISION

On April 3, 1986, application was made to the Comptroller of the Currency to grant prior written approval for Mercantile National Bank of Indiana (Assuming Bank), to purchase certain assets and assume certain liabilities of the Industrial National Bank of East Chicago, East Chicago, Indiana (Industrial). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Industrial. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On April 3, 1986, due to the financial condition of Industrial, the Comptroller of the Currency closed Industrial and appointed the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities including all deposit liabilities, of Industrial.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the East Chicago community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Industrial, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Industrial requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

April 4, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, Hartford, Connecticut, and One Branch of Bristol Savings Bank, Bristol, Connecticut

Names of banks and type of transaction	*Total assets*
One Branch of Bristol Savings Bank, Bristol, Connecticut, with	**$ 285,000**
was purchased April 7, 1986, by The Connecticut Bank and Trust Company, National Association, Hartford, Connecticut (4), which had	**6,703,924,000**
After the purchase was effected the receiving bank had	**6,712,313,000**

COMPTROLLER'S DECISION

On November 27, 1985, application was made to the Office of the Comptroller of the Currency for prior authorization to purchase the assets and assume the liabilities of the Burlington Branch of Bristol Savings Bank, Bristol, Connecticut (Bristol), by The Connecticut Bank and Trust Company (CBT). This application was based on an agreement finalized between the proponents on October 10, 1985.

As of September 30, 1985, CBT, a wholly owned subsidiary of Bank of New England Corporation, had total deposits of $5.5 billion and operated 155 offices throughout Connecticut. On the same date, the Burlington Branch of Bristol had total deposits of $8.4 million.

The Office has reviewed the competititve effects of this proposal by using the Office's standard procedures for determining whether a purchase of assets and assumption of liabilities clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a purchase of assets and assumption of liabilities that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find the financial and managerial resources of CBT to be satisfactory. The future prospects of the bank are favorable, as are the effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

February 10, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL BANK IN GRAND JUNCTION,

Grand Junction, Colorado, and First National Bank-North in Grand Junction, Grand Junction, Colorado

Names of banks and type of transaction	*Total assets*
First National Bank in Grand Junction, Grand Junction, Colorado (13902), with	$107,442,000
and First National Bank-North in Grand Junction, Grand Junction, Colorado (16054), which had	32,433,000
merged April 11, 1986, under charter and title of the former. The merged bank at date of merger had	129,555,000

* * *

UNITED MISSOURI BANK OF ST. LOUIS COUNTY, NATIONAL ASSOCIATION,

Clayton, Missouri, and United Missouri Bank of Jefferson County, Arnold, Missouri, and United Missouri Bank of St. Louis, National Association, St. Louis, Missouri

Names of banks and type of transaction	*Total assets*
United Missouri Bank of St. Louis County, National Association, Clayton, Missouri, (21028), with	$210,489,000
and United Missouri Bank of Jefferson County, Arnold, Missouri, which had	56,671,000
and United Missouri Bank of St. Louis, National Association, St. Louis, Missouri (16136), which had	96,857,000
merged April 15, 1986, under charter 21028 and title "United Missouri Bank of St. Louis, National Association." The merged bank at date of merger had	364,017,000

* * *

SECURITY FIRST NATIONAL BANK,

Alexandria, Louisiana, and The First National Bank of Ruston, Ruston, Louisiana

Names of banks and type of transaction	*Total assets*
The First National Bank of Ruston, Ruston, Louisiana (11795), with	$ 29,869,000
was purchased April 16, 1986, by Security First National Bank, Alexandria, Louisiana (14484), which had	135,966,650
After the purchase was effected, the receiving bank had	165,835,650

COMPTROLLER'S DECISION

On April 10, 1986, application was made to the Comptroller of the Currency to grant prior written approval for Security First National Bank, Alexandria, Louisiana (Assuming Bank), to purchase certain assets and assume certain liabilities of First National Bank of Ruston, Ruston, Louisiana (FNB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of FNB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On April 10, 1986, due to the financial condition of FNB, the Comptroller of the Currency closed FNB and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of FNB.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds the anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of the banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Ruston community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of FNB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of FNB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five and one-half percent (5½%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

2. Maintain a ratio of primary capital to total assets that complies with 12 CFR Part 3; Minimum Capital Ratios.

These conditions shall be deemed "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. § 1818(b)(1).

April 10, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

AMERICAN NATIONAL BANK OF FLORIDA, Jacksonville, Florida, and Florida Center Bank, Orlando, Florida

Names of banks and type of transaction	*Total assets*
Florida Center Bank, Orlando, Florida, with	**$ 60,000,000**
was purchased April 18, 1986, by American National Bank of Florida, Jacksonville, Florida (14464), which had	**324,662,000**
After the purchase was effected, the receiving bank had	**384,662,000**

COMPTROLLER'S DECISION

On April 18, 1986, application was made to the Comptroller of the Currency to grant prior written approval for American National Bank of Florida, Jacksonville, Florida (Assuming Bank), to purchase certain assets and assume certain liabilities of Florida Center Bank, Orlando, Florida, (Florida Center Bank). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Florida Center Bank. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on April 11, 1986, Florida Center Bank had total deposits of approximately $60 million. The bank was declared insolvent by the Florida State Banking Commissioner on April 18, 1986 and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Florida Center Bank.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Orlando community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Orlando community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Florida Center Bank, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Florida Center Bank requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

April 18, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

CITIBANK, NATIONAL ASSOCIATION,
New York, New York, and Four Branches of Republic National Bank of New York, New York, New York

Names of banks and type of transaction	*Total assets*
Four Branches of Republic National Bank of New York, New York, New York (15569), with	**$ 140,000,000**
were purchased April 18, 1986, by Citibank, National Association, New York, New York, (1461), which had	**120,054,000,000**
After the purchase was effected, the receiving bank had	**120,194,000,000**

COMPTROLLER'S DECISION

On January 16, 1986, application was made to the Office of the Comptroller of the Currency by Citibank, National Association, New York, New York (Citibank) for prior authorization to purchase the assets and assume the liabilities of the Bay Shore, Huntington, North Babylon and Brentwood offices of the Republic National Bank of New York, New York, New York (Republic). This application was based on an agreement finalized between the proponents on November 13, 1985.

As of September 30, 1985, Citibank, a wholly owned subsidiary of Citicorp, held total deposits of $90 billion and operated 268 offices in the Metropolitan New York market. As of December 31, 1984, the four branches of Republic held total deposits of $140 million.

The relevant geographic market for this proposal is the area of Suffolk County, New York where the four branches to be acquired derive the bulk of their deposits. The Suffolk County banking market is highly competitive. Within this relevant market, twenty-five commercial banks and thirty-seven thrift institutions operate 453 offices and hold total deposits of $13 billion. Citibank ranks fifth with three percent of total market deposits and the four branches to be acquired rank thirteenth with one percent of total market deposits. Consummation of the proposed purchase and assumption would increase Citibank's market share to only 3.6 percent, with market rankings unaffected. Although the proposed merger would eliminate some direct competition and increase concentration to some extent, it would not have a significantly adverse effect upon competition in the relevant geographic market.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of Citibank do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered favorable, as are the effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 11, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF BOSTON,
Boston, Massachusetts, and Bank of Boston-Bristol, National Association, New Bedford, Massachusetts

Names of banks and type of transaction	*Total assets*
The First National Bank of Boston, Boston, Massachusetts (200), with	$18,915,000,000
and Bank of Boston-Bristol, National Association, New Bedford, Massachusetts (17578), which had	327,000,000
merged April 18, 1986, under charter and title of the former. The merged bank at date of merger had	19,209,000,000

* * *

KEY BANK OF SOUTHEASTERN NEW YORK NATIONAL ASSOCIATION,
Chester, New York, and Three Branches of Peoples Westchester Savings Bank, Tarrytown, New York

Names of banks and type of transaction	*Total assets*
Three Branches of Peoples Westchester Savings Bank, Tarrytown, New York, with	$ 47,665,000
were purchased April 19, 1986, by Key Bank of Southeastern New York National Association, Chester, New York (1349), which had	493,230,000
After the purchase was effected, the receiving bank had	546,895,000

COMPTROLLER'S DECISION

On December 12, 1985, application was made to the Office of the Comptroller of the Currency for prior authorization to purchase the assets and assume the liabilities of the Baldwin Place, Mahopac, and Fishkill offices of Peoples Westchester Savings Bank, Tarrytown, New York, (Peoples), by Key Bank of Southeastern New York National Association, Chester, New York (Key Bank). This application was based on an agreement finalized between the proponents on September 18, 1985.

As of September 30, 1985, Key Bank, a wholly owned subsidiary of KeyCorp, Albany, New York, had total deposits of $449 million and operated 33 offices located in four counties in Southeastern New York State. On the same date, the three branches to be acquired held total deposits of $48 million.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a purchase of assets and assumption of liabilities clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a purchase of assets and assumption of liabilities that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the communities to be served." We find the financial and managerial resources of Key Bank and Peoples do not raise concerns that would cause the application to disapproved. The future prospects of Key Bank are considered favorable, as are the effects of the proposal on the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 10, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

SOCIETY BANK NATIONAL ASSOCIATION,
Springfield, Ohio, and Society Bank of Southern Ohio, Hamilton, Ohio

Names of banks and type of transaction	*Total assets*
Society Bank National Association, Springfield, Ohio (2932), with	$348,953,000
and Society Bank of Southern Ohio, Hamilton, Ohio, which had	125,996,000
merged April 20, 1986, under charter and title of the former. The merged bank at date of merger had	474,949,000

* * *

THE THIRD NATIONAL BANK AND TRUST COMPANY OF DAYTON, OHIO,
Dayton, Ohio, and Society Bank National Association, Springfield, Ohio

Names of banks and type of transaction	*Total assets*
The Third National Bank and Trust Company of Dayton, Ohio, Dayton, Ohio (10), with	$1,061,147,000
and Society Bank National Association, Springfield, Ohio (2932), which had	479,566,000
merged April 21, 1986, under charter and title of the former. The merged bank at date of merger had	1,540,712,000

* * *

FIRST NATIONAL BANK OF IRVING,
Irving, Texas, and City National Bank of Irving, Irving, Texas

Names of banks and type of transaction	*Total assets*
First National Bank of Irving, Texas (14979), with	$38,462,000
was purchased April 24, 1986, by City National Bank of Irving, a newly chartered bank, Irving, Texas (21233), which had	NA
After the purchase was effected, the receiving bank had	NA

COMPTROLLER'S DECISION

On April 24, 1986, application was made to the Comptroller of the Currency to grant prior written approval for City National Bank of Irving, Irving, Texas, (Assuming Bank) to purchase certain assets and assume certain liabilities of First National Bank of Irving, Irving, Texas (First). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of First. For reasons set forth below, the application is hereby approved and Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

First was chartered as a national bank on May 31, 1962, and at the close of business on March 31, 1986, had total assets of approximately $35 million. The bank was declared insolvent by the Comptroller of the Currency on April 24, 1986, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of First.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds the anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Irving community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Irving community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of First, as set forth in the agreement, is approved. The Comptroller further finds that the failure of First requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice and dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five and one-half percent (5½%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

2. Maintain a ratio of primary capital to total assets that complies with 12 CFR Part 3; Minimum Capital Ratios.

These conditions shall be deemed "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. § 1818(b)(1).

April 24, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST NATIONAL BANK AND TRUST COMPANY OF NAPLES,
Naples, Florida, and The First Bank of Marco Island, National Association, Marco Island, Florida

Names of banks and type of transaction	*Total assets*
The First National of Marco Island, National Association, Marco Island, Florida (17281), with	**$ 36,503,000**
and First National Bank and Trust Company of Naples, Naples, Florida (14770), which had	**315,395,000**
merged April 28, 1986, under the charter and title of the latter. The merged bank at date of merger had	**315,395,000**

* * *

GULF COAST NATIONAL BANK,
Sarasota, Florida, and South County Bank, South Venice, Florida

Names of banks and type of transaction	*Total assets*
Gulf Coast National Bank, Sarasota, Florida (15107), with	$310,811,000
and South County Bank, South Venice, Florida, which had	83,215,000
merged April 28, 1986, under charter of the former and title of "National Bank of Sarasota." The merged bank at date of merger had	401,150,000

* * *

THE CITIZENS NATIONAL BANK OF MERIDIAN,
Meridian, Mississippi, and Two Branches of Deposit Guaranty National Bank, Jackson, Mississippi

Names of banks and type of transaction	*Total assets*
Two Branches of Deposit Guaranty National Bank, Jackson, Mississippi ([illegible]5548), with	$ 32,449,000
were purchased April 30, 1986, by The Citizens National Bank of Meridian, Meridian, Mississippi (7266), which had	189,095,000
After the purchase was effected, the receiving bank had	221,554,000

COMPTROLLER'S DECISION

On February 7, 1986, application was made to the Office of the Comptroller of the Currency by The Citizens National Bank of Meridian, Meridian, Mississippi (Citizens), for prior authorization to purchase the assets and assume the liabilities of two branches of Deposit Guaranty National Bank, Jackson, Mississippi (Deposit Guaranty). This application was filed pursuant to an agreement finalized between the proponents on December 6, 1985.

As of September 30, 1985, Citizens, an independent bank, held total deposits of $167 million. On the same date, the Kusciusko branch of Deposit Guaranty and its drive-up facility held total deposits of $32 million.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a purchase of assets and assumption of liabilities clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a purchase of assets and assumption of liabilities that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered good and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 28, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

PEOPLES BANK OF PORT HURON, Port Huron, Michigan, and NBD Port Huron Bank, National Association, Port Huron, Michigan

Names of banks and type of transaction	*Total assets*
Peoples Bank of Port Huron, Port Huron, Michigan, with	**$241,818,000**
and NBD Port Huron Bank, National Association, Port Huron, Michigan (16612), which had	**24,460,000**
merged April 30, 1986, under charter of the latter and title of "Peoples Bank of Port Huron, National Association". The merged bank at date of merger had	**270,709,000**

COMPTROLLER'S DECISION

On October 30, 1985, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), for prior authorization to merge Peoples Bank of Port Huron, Port Huron, Michigan (Peoples), into NBD Port Huron Bank, National Association, Port Huron, Michigan (NBD). The application is based on an agreement finalized between Peoples and NBD on August 21, 1985.

NBD, a subsidiary of NBD Bancorp, had total assets of $23 million and total deposits of $21 million as of September 30, 1985, and operated its main office and one branch in St. Clair County. Another subsidiary bank of NBD Bancorp operates a small branch in the western portion of St. Clair County.

Peoples had total assets of $241 million and total deposits of $221 million as of September 30, 1985, and operated its main office and ten branches in St. Clair County.

The primary market for competitive analysis of this proposal consists of the eastern portion of St. Clair County, Michigan, the area surrounding the offices of Peoples. It is from this area that Peoples derives the bulk of its business, although business is derived from throughout St. Clair County and portions of Sanilac and Macomb Counties. The applicants assert that St. Clair County should be considered the relevant geographic market. The Office believes, however, that it is more appropriate to look first to the primary service area to gauge a transaction's impact on competition.

Thrifts in the market have established themselves as full competitors with commercial banks. Thrifts operating in the market offer a full range of deposit services including NOW, Super NOW and business checking accounts. Also, these institutions offer market residents and businesses a variety of loan products. In addition, an analysis of the applicants' balance sheets indicates that they are not commercially oriented and concentrate their services in much the same products as thrifts. For these reasons this Office considers thrift institutions to be full competitors of commercial banks in the market.

Within the eastern portion of St. Clair County Peoples and NBD are direct competitors. Competition is provided by several other commercial banks and two savings and loan associations. Peoples is the second largest organization in the market and will remain so should the transaction be consummated.

Although some direct competition will be eliminated upon consummation of the proposal, several factors mitigate any possible adverse competitive effects resulting from the concomitant increase in market concentration. Most importantly is that we believe the market to be competitive and expect it to remain so following the merger. Also, while much of the market outside of the cities of Port Huron and St. Clair is rural in nature and sparsely populated, the area is connected to the Port Huron area by many well traveled roads, including Interstates 69 and 94. The depository institutions in the areas bordering the market, because of their proximity to interstate highways and the absence of any intervening population centers, could very well be viewed by market residents as viable banking alternatives should any attempt be made by the resulting bank to exercise market power.

Another mitigating factor is that seven of Michigan's largest commercial banking organizations have no presence in St. Clair County and Michigan's four largest savings associations presently have no offices there. These eleven organizations are but a small portion of the organizations eligible to serve the market and all have the resources needed to enter the market. St. Clair County's proximity to the cities of Flint and Detroit via interstate highway makes it a natural area of expansion for the large organizations with offices in those cities. Also, regional interstate banking is fast becoming a reality in Michigan. Already, Ohio, Indiana and Michigan have enacted regional reciprocal interstate banking legislation, thus further increasing the number of potential entrants. In view of the large number of banks in close proximity to the market and the numerous large institutions capable of entering the market, the likelihood of the resulting bank exercising any undue market power must be considered minimal.

The combined institution will continue to rank second in the market. A substantial number of other financial institutions will continue to compete in the market. In addition to the competitors remaining in the market, the potential for entry by so many large competitors gives further assurance that this proposal will not significantly lessen competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered good and the resulting bank is expected to meet the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved, subject to the conditions noted in a separate communication to NBD.

March 21, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

While we have concluded that the proposed merger may be substantially adverse to competition and have so informed the parties in order to explore a resolution by divestiture (as originally proposed by the parties), your decision of March 21, 1986 approving the merger has intervened. Therefore, a full competitive factors report from the Antitrust Division to you to assist in your decisional process has become unnecessary.

* * *

SECOND NATIONAL BANK OF SAGINAW, Saginaw, Michigan, and One Branch of Michigan National Bank-Valley, Midland, Michigan

Names of banks and type of transaction	*Total assets*
One Branch of Michigan National Bank-Valley, Midland, Michigan (15403), with	$ 7,182,000
was purchased April 30, 1986, by Second National Bank of Saginaw, Saginaw, Michigan (1918), which had	586,569,000
After the purchase was effected, the receiving bank had	593,378,000

COMPTROLLER'S DECISION

On February 7, 1986, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), for prior authorization for Second National Bank of Saginaw, Saginaw, Michigan (SNB), to purchase the assets and assume the liabilities of the Frankenmuth Office of the Michigan National Bank-Valley, Midland, Michigan (MNB-Valley). The application is based on an agreement finalized between SNB and MNB-Valley on November 12, 1985.

SNB, a wholly owned subsidiary of Second National Corporation, had total assets of $587 million and total deposits of $506 million as of August 31, 1985, and operates twenty offices and three customer-bank communication terminals.

The Frankenmuth Office of MNB-Valley had total deposits of approximately $7 million as of August 31, 1985.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a purchase of assets and assumption of liabilities clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a purchase of assets that has minimal or no adverse competitive effects.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered good and the resulting bank is expected to meet the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 24, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

AMERICAN NATIONAL BANK OF BEDFORD,
Bedford, Iowa, and The Bedford National Bank, Bedford, Iowa

Names of banks and type of transaction	*Total assets*
American National Bank of Bedford, Bedford, Iowa (21239), with	NA
and The Bedford National Bank, Bedford, Iowa, (5165), which had	$19,323,000
merged May 1, 1986, under charter and title of the former. The merged bank at date of merger had	NA

* * *

THE FIRST NATIONAL BANK AT MANISTIQUE,
Manistique, Michigan, and Manistique Lakes Bank, Curtis, Michigan

Names of banks and type of transaction	*Total assets*
The First National Bank at Manistique, Manistique, Michigan (14280), with	$37,322,000
and Manistique Lakes Bank, Curtis, Michigan, which had	12,277,000
merged May 1, 1986, under charter and title of the former. The merged bank at date of merger had	49,583,000

* * *

MARQUETTE BANK MINNEAPOLIS, NATIONAL ASSOCIATION,
Minneapolis, Minnesota, and Fidelity Bank Northeast, Minneapolis, Minnesota

Names of banks and type of transaction	*Total assets*
Marquette Bank Minneapolis, National Association, Minneapolis, Minnesota (11861), with	$1,298,204,000
and Fidelity Bank Northeast, Minneapolis, Minnesota, which had	163,202,000
merged May 1, 1986, under charter and title of the former. The merged bank at date of merger had	1,450,825,000

* * *

FIRST EASTERN BANK, NATIONAL ASSOCIATION, Wilkes-Barre, Pennsylvania, and The Hawley Bank, Hawley, Pennsylvania

Names of banks and type of transaction	*Total assets*
The Hawley Bank, Hawley, Pennsylvania, with	**$ 33,309,000**
and First Eastern Bank, National Association, Wilkes-Barre, Pennsylvania (30), which had	**1,202,735,000**
merged May 3, 1986, under the charter and title of the latter. The merged bank at date of merger had	**1,234,456,000**

COMPTROLLER'S DECISION

On October 2, 1985, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The Hawley Bank, Hawley, Pennsylvania (Hawley), into First Eastern Bank, National Association, Wilkes-Barre, Pennsylvania (Eastern). This application is based on an agreement finalized between the proponents on July 10, 1985.

As of June 30, 1985, Eastern, a wholly owned subsidiary of First Eastern Corporation, held total deposits of $1 billion and operated 36 offices. As of the same date, Hawley, a unit bank, held total deposits of $31 million.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a merger clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a merger that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the communities to be served." Eastern has the managerial and financial resources to absorb the subject bank without adversely affecting its overall condition. The future prospects of the bank are favorable, as are the effects of the proposal on the convenience and needs of the general public to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

April 1, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE SECOND NATIONAL BANK OF RICHMOND, Richmond, Indiana, and Citizens Banking Company, Lynn, Indiana

Names of banks and type of transaction	*Total assets*
Citizens Banking Company, Lynn, Indiana, with	**$ 23,650,000**
and The Second National Bank of Richmond, Richmond, Indiana (1988), which had	**281,743,000**
merged May 5, 1986, under the charter and title of the latter. The merged bank at date of merger had	**303,908,000**

COMPTROLLER'S DECISION

On August 15, 1985, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), for prior authorization to merge Citizens Banking Company, Lynn, Indiana (Citizens) into The Second National Bank of Richmond, Richmond, Indiana (Second). The application is based on an agreement finalized between Citizens and Second on May 20, 1985.

Second, a wholly owned subsidiary of Second National Corporation, had total assets of $282 million and total deposits of $231 million as of March 31, 1985. Second operates twelve offices in five communities in Wayne County.

Citizens had total assets of $24 million and total deposits of $22 million as of March 31, 1985, and operates only its main office located in Randolph County.

Citizens' relevant geographic market consists of the Southeastern portion of Randolph County from which it derives 98 percent of its dollar volume of deposits. Citizens is the smallest of four banking institutions in the market with approximately 19 percent of the market's deposits. Second does not operate any offices in Randolph County and its nearest office is located in Greens Fork, 10 miles southwest of Citizens' only office in Lynn. Second draws less than 1 percent of its dollar volume of deposits from the relevant geographic market. Consummation of this proposal will merely replace one competitor with another and will not have a significant adverse effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. Citizens will be provided with expanded resources which will enable it to provide a wider range of banking services to the Lynn community. Second will be in a position to provide more effective competition to the southeastern portion of Randolph County.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

January 24, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK AND TRUST COMPANY OF TULSA, Tulsa, Oklahoma, and Bank of Commerce and Trust Company, Tulsa, Oklahoma

Names of banks and type of transaction	*Total assets*
Bank of Commerce and Trust Company, Tulsa, Oklahoma, with	**$ 171,000,000**
was purchased May 8, 1986, by The First National Bank and Trust Company of Tulsa, Tulsa, Oklahoma (5171), which had	**1,214,000,000**
After the purchase was effected, the purchasing institution had	**1,380,000,000**

COMPTROLLER'S DECISION

On May 8, 1986, application was made to the Comptroller of the Currency to grant prior written approval for First National Bank and Trust Company of Tulsa, Tulsa, Oklahoma (Assuming Bank), to purchase certain assets and assume certain liabilities of Bank of Commerce and Trust Company, Tulsa, Oklahoma (BCTC). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of BCTC. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On May 8, 1986, due to the financial condition of BCTC, the Oklahoma Bank Commissioner closed BCTC and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of BCTC.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Tulsa community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of BCTC, as set forth in the agreement, is approved. The Comptroller further finds that the failure of BCTC requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice and dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five and one-half percent (5½%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.
2. Maintain a ratio of primary capital to total assets that complies with 12 CFR Part 3; Minimum Capital Ratios.

These conditions shall be deemed "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. § 1818(b)(1).

May 8, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

BAYSHORE NATIONAL BANK OF LA PORTE,
La Porte, Texas, and Bayport National Bank, La Porte, Texas

Names of banks and type of transaction	*Total assets*
Bayport National Bank, La Porte, Texas (16845), with	$ 19,030,000
and Bayport National Bank of La Porte, La Porte, Texas (15468), which had	86,806,000
merged May 9, 1986, under charter and title of the latter. The merged bank at date of merger had	105,836,000

* * *

THE FIRST NATIONAL BANK OF GLENWOOD SPRINGS,
Glenwood Springs, Colorado, and First National Bank in Battlement Mesa, Parachute, Colorado

Names of banks and type of transaction	*Total assets*
First National Bank in Battlement Mesa, Parachute, Colorado (17203), with	$ 3,632,000
and The First National Bank of Glenwood Springs, Glenwood Springs, Colorado (3661), which had	114,683,000
merged May 9, 1986, under charter and title of the latter. The merged bank at date of merger had	118,315,000

* * *

THE IDAHO FIRST NATIONAL BANK,
Boise, Idaho, and First Bank & Trust of Idaho, Malad City, Idaho

Names of banks and type of transaction	*Total assets*
First Bank & Trust of Idaho, Malad City, Idaho, with	$ 55,867,000
was purchased May 9, 1986, by The Idaho First National Bank, Boise, Idaho (1668), which had	2,844,555,000
After the purchase was effected, the purchasing institution had	NA

COMPTROLLER'S DECISION

On May 9, 1986, application was made to the Comptroller of the Currency to grant prior written approval for The Idaho First National Bank, Boise, Idaho (Assuming Bank), to purchase certain assets and assume certain liabilities of First Bank & Trust of Idaho, Malad City, Idaho (FBT). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of FBT. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On May 9, 1986, due to the financial condition of FBT, the Idaho Director of Finance closed FBT and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of FBT.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Malad City community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of FBT, as set forth in the agreement, is approved. The Comptroller further finds that the failure of FBT requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice and dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five and one-half percent (5½%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

2. Maintain a ratio of primary capital to total assets that complies with 12 CFR Part 3; Minimum Capital Ratios.

These conditions shall be deemed "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. § 1818(b)(1).

May 9, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

NCNB NATIONAL BANK OF FLORIDA,
Tampa, Florida, and Pan American Bank of Orlando, National Association, Orlando, Florida and Pan American Bank of Tampa, Tampa, Florida

Names of banks and type of transaction	*Total assets*
Pan American Bank of Orlando, National Association, Orlando, Florida (14573), with	$ 308,714,000
and Pan American Bank of Tampa, Tampa, Florida, (14827), which had	12,250,000
and NCNB National Bank of Tampa, National Association, Tampa, Florida (17775), which had	5,418,676,000
merged May 17, 1986, under charter and title of the latter. The merged bank at date of merger had	5,739,592,000

* * *

THE SECOND NATIONAL BANK AND TRUST COMPANY OF LEXINGTON,
Lexington, Kentucky, and The Bank of Commerce and Trust Company, Lexington, Kentucky

Names of banks and type of transaction	*Total assets*
The Bank of Commerce and Trust Company, Lexington, Kentucky, with	$174,622,000
and The Second National Bank and Trust Company of Lexington, Lexington, Kentucky, (2901), which had	220,816,000
consolidated May 17, 1986, under the charter of the latter and with the title of Commerce National Bank. The consolidated bank at date of consolidation had	395,438,000

COMPTROLLER'S DECISION

On February 7, 1986, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), for prior authorization to consolidate The Bank of Commerce and Trust Company, Lexington, Kentucky (Commerce), and The Second National Bank and Trust Company of Lexington, Lexington, Kentucky (Second). The application is based on an agreement finalized between Commerce and Second on November 22, 1985.

Commerce, a wholly owned subsidiary of First Kentucky National Corporation, had total assets of $175 million and total deposits of $158 million as of September 30, 1985, and operated six offices located in Lexington, Kentucky.

Second, a subsidiary of Second National Bancorp, had total assets of $221 million and total deposits of $220 million as of September 30, 1985, and operated thirteen offices in Lexington, Kentucky.

The relevant geographic market for this proposal is the Lexington-Fayette Metropolitan Statistical Area consisting of the counties of Bourbon, Clark, Fayette, Jessamine, Scott and Woodford (Lexington Banking Market). There are 20 commercial banking organizations and 11 savings associations operating in the Lexington Banking Market with $2.3 billion in deposits. The savings associations in the market are in direct competition with the commercial banks for both household and business customers. All eleven offer either NOW accounts, money market deposit accounts or Super NOW accounts. Nine of the savings associations offer installment loans, business loans, and commercial checking accounts.

The market is unconcentrated and competitive and can be expected to remain so after consummation of this consolidation. The market shares of some large banking organizations presently in the Lexington Banking Market understate the competitive influence of these organizations in the market. In addition, other large Kentucky-based banking organizations not now represented in the Lexington Banking Market are able to enter at any time. Also, out-of-state banking organizations are able to enter the market at any time from contiguous states with reciprocal interstate banking legislation.

Second and Commerce are the fourth and sixth largest financial institutions in the market and will become the second largest with 13 percent of the market's deposits. Numerous competitors will remain in the market. This proposal will not significantly lessen competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered good and the resulting bank is expected to meet the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

April 16, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST BANKERS OF PALM BEACH COUNTY, NATIONAL ASSOCIATION,
Boca Raton, Florida, and The Mall Bank, West Palm Beach Florida

Names of banks and type of transaction	*Total assets*
The First Bankers of Palm Beach County, National Association, Boca Raton, Florida (14924), with	$150,829,000
and The Mall Bank, West Palm Beach, Florida, which had	80,287,000
merged May 19, 1986, under charter and title of the former. The merged bank at date of merger had	231,079,000

* * *

CENTENNIAL STATE BANK OF COLORADO,
Englewood, Colorado, and First Interstate Bank of Centennial, National Association, Englewood, Colorado

Names of banks and type of transaction	*Total assets*
Centennial State Bank of Colorado, Englewood, Colorado, with	$22,000,000
was purchased May 23, 1986, by First Interstate Bank of Centennial, National Association, a newly chartered bank, Englewood, Colorado (21258), which had	NA
After the purchase was effected, the receiving bank had	

COMPTROLLER'S DECISION

On May 23, 1986, application was made to the Comptroller of the Currency to grant prior written approval for First Interstate Bank of Centennial, National Association, Englewood, Colorado (Assuming Bank), to purchase certain assets and assume certain liabilities of Centennial State Bank of Colorado, Englewood, Colorado (Centennial). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Centennial. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on May 22, 1986, Centennial had total assets of approximately $22 million. The bank was declared insolvent by the Colorado State Banking Commissioner on May 23, 1986, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Centennial.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Englewood community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Englewood community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Centennial, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Centennial requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice and dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

May 23, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

TEXAS AMERICAN BANK/HOUSTON, NATIONAL ASSOCIATION,
Houston, Texas and Texas American Bank/Galleria, Houston, Texas

Names of banks and type of transaction	*Total assets*
Texas American Bank/Houston, National Association, Houston, Texas (14916), with	**$379,188,000**
and Texas American Bank/Galleria, Houston, Texas, which had	**248,567,000**
merged May 23, 1986, under charter and title of the latter. The merged bank at date of merger had	**621,834,000**

* * *

THE BANK OF COLUMBIA FALLS,
Columbia Falls, Montana, and First Citizens Bank National Association, Columbia Falls, Montana

Names of banks and type of transaction	*Total assets*
The Bank of Columbia Falls, Columbia Falls, Montana, with	**$41,470,000**
was purchased May 30, 1986, by First Citizens National Association, a newly chartered bank, Columbia Falls, Montana, (21259), which had	**NA**
After the purchase was effected, the receiving bank had	

COMPTROLLER'S DECISION

On May 30, 1986, application was made to the Comptroller of the Currency to grant prior written approval for First Citizens Bank National Association, Columbia Falls, Montana (Assuming Bank), to purchase certain assets and assume certain liabilities of the Bank of Columbia Falls, Columbia Falls, Montana (BCF). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of BCF. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On May 30, 1986 the Montana State Banking Commissionar closed BCF due to its financial condition and appointed the FDIC as reciever. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities, of BCF.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Columbia Falls community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of BCF, as set forth in the agreement, is approved. The Comptroller further finds that the failure of BCF requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice and dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

May 30, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

THE LIBERTY NATIONAL BANK AND TRUST COMPANY OF OKLAHOMA CITY, Oklahoma City, Oklahoma, and The First National Bank and Trust Company of Norman, Norman, Oklahoma

Names of banks and type of transaction	*Total assets*
The First National Bank and Trust Company of Norman, Norman, Oklahoma (5248), with	**$ 68,905,000**
was purchased May 30, 1986, by The Liberty National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma (11230), with	**1,982,629,000**
After the purchase was effected, the purchasing institution had	**2,051,534,000**

COMPTROLLER'S DECISION

On May 30, 1986, application was made to the Comptroller of the Currency to grant prior written approval for The Libery National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma (Assuming Bank), to purchase certain assets and assume certain liabilities of The First National Bank and Trust Company of Norman, Norman, Oklahoma (FNB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of FNB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On May 29, 1986, the Comptroller of the Currency closed FNB due to its financial condition and appointed the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of FNB.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Norman community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of FNB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of FNB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice and dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

May 30, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

WELLS FARGO BANK, NATIONAL ASSOCIATION,
San Francisco, California, and Crocker National Bank, San Francisco, California

Names of banks and type of transaction	*Total assets*
Crocker National Bank, San Francisco, California, (1741), with	$18,999,000,000
and Wells Fargo Bank, National Association, San Francisco, California (15660), which had	23,502,000,000
merged May 30, 1986, under charter and title of the latter. The merged bank at date of merger had	42,084,000,000

* * *

BANK ONE, MILFORD, NATIONAL ASSOCIATION,
Milford, Ohio, and Six Branches of BancOhio National Bank, Columbus, Ohio

Names of banks and type of transaction	*Total assets*
Six Branches of BancOhio National Bank, Columbus, Ohio (5065), with	$ 39,918,000
were purchased May 31, 1986, by Bank One, Milford, National Association, Milford, Ohio (3234), which had	264,927,000
After the purchase was effected, the receiving bank had	304,845,000

COMPTROLLER'S DECISION

On March 5, 1986, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), for prior authorization for Bank One, Milford, National Association, Milford, Ohio (Bank One), to purchase the assets and assume the liabilities of six branches of BancOhio National Bank, Columbus, Ohio (BancOhio). The application is based on an agreement finalized between Bank One and BancOhio on December 2, 1985.

BancOhio, a wholly owned subsidiary of National City Corporation, had total assets of $4.3 billion and total deposits of $3.3 billion as of December 31, 1985. The six offices involved had total deposits of $40 million.

Bank One, a wholly owned subsidiary of BancOne Corporation, had total assets of $294 million and total deposits of $238 million as of December 31, 1985.

The relevant geographic market for this proposal consists of Clermont County and the eastern edge of Hamilton County, including the cities of Loveland and Montgomery. Bank One and BancOhio both operate in this market. Upon consummation of this proposal BancOhio will continue to have a presence in the market through its retention of loan portfolios, its continued solicitation of deposit business and National City, BancOhio's parent, will continue to solicit loans through its loan production office located in Cincinnati. Eight other commercial banking institutions and fifteen savings associations will continue to compete in this unconcentrated market. Consequently, consummation of this proposal will not have an adverse effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered good and the resulting bank is expected to meet the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

April 24, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL BANK OF METAMORA,
Metamora, Illinois, and Peoples State Bank of Roanoke, Roanoke, Illinois

Names of banks and type of transaction	*Total assets*
First National Bank of Metamora, Metamora, Illinois (14469), with	$35,716,000
and Peoples State Bank of Roanoke, Roanoke, Illinois, which had	18,003,000
merged May 31, 1986, under charter of the former and title "First National Bank of Woodford County." The merged bank at date of merger had	53,719,000

* * *

CAPITAL NATIONAL BANK OF NEW YORK,
New York, New York, and One Branch of Eastern Savings Bank, Scarsdale, New York

Names of banks and type of transaction	*Total assets*
One Branch of Eastern Savings Bank, Scarsdale, New York, with	$ 174,000
was purchased June 1, 1986, by Capital National Bank of New York, New York, New York (16479), which had	80,039,000
After the purchase was effected, the receiving bank had	101,767,000

COMPTROLLER'S DECISION

On February 2, 1986, application was made to the Office of the Comptroller of the Currency by Capital National Bank of New York, New York, New York (Capital), for prior authorization to purchase certain of the assets and assume certain of the liabilities of the East Tremont Avenue branch of Eastern Savings Bank, Scarsdale, New York. This application was based on an agreement finalized between the proponents on October 24, 1985.

As of September 30, 1985, Capital held total deposits of $74 million and operated three offices. On the same date, the branch to be acquired held total deposits of $50 million. Capital will assume only $20 million of the branch's total deposits.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a purchase of assets and assumption of liabilities clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a purchase of assets and assumption of liabilities that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." Capital has the financial and managerial resources to absorb the subject branch without adversely affecting its overall condition, provided that a proposed capital injection is made. The future prospects of Capital are considered favorable, as are the effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved, subject to the condition noted in a separate communication to Capital.

April 14, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

* * *

THE NATIONAL BANK OF WATERLOO, Waterloo, Iowa, and Gilbertville Savings Bank, Gilbertville, Iowa

Names of banks and type of transaction	*Total assets*
Gilbertville Savings Bank, Gilbertville, Iowa, with	**$ 21,118,000**
and The National Bank of Waterloo, Waterloo, Iowa (13702), which had	**306,586,000**
merged June 1, 1986, under charter and title of the latter. The merged bank at date of merger had	**326,823,000**

COMPTROLLER'S DECISION

On January 21, 1986, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), for prior authorization to merge the Gilbertville Savings Bank, Gilbertville, Iowa (GSB), into The National Bank of Waterloo, Waterloo, Iowa (NBW). The application is based on an agreement finalized between GSB and NBW on October 28, 1985.

NBW is a wholly owned subsidiary of Iowa National Bankshares Corporation. As of September 30, 1985, NBW had total assets of $307 million and total deposits of $244 million and operated its main office and four facilities in Waterloo.

GSB had total deposits of $21 million and total deposits of $19 milion as of September 30, 1985, and operated its main ofice in Gilbertville.

The relevant geographic market for this proposal is the central and southeastern portion of Black Hawk County, Iowa in and around the town of Gilbertville. It is from this area that GSB derives the bulk of its deposits. Although NBW and GSB both operate in Black Hawk County, together with eight other commercial banks and five savings and loan associations, and receive more than 75 percent of their deposits from Black Hawk County, GSB serves the town of Gilbertville and NBW and its affiliate, Midway Bank & Trust, Cedar Falls, Iowa, operate in the central and northwestern portion of the county. GSB's only office is approximately eight miles southeast of the nearest NBW office. Upon consummation of this proposal 13 depository institutions will remain as competitors in Black Hawk County including subsidiaries of some of the state's largest bank holding companies. Due to the size of GSB and its relatively limited local market, competitive overlap between GSB and NBW is minimal and consummation of this proposal will not have a significantly adverse effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered good and the resulting bank is expected to meet the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

May 1, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

RAINIER NATIONAL BANK,
Seattle, Washington, and South Sound National Bank, Lacey, Washington

Names of banks and type of transaction	*Total assets*
South Sound National Bank, Lacey, Washington (15640), with	$ 82,249,000
and Rainier National Bank, Seattle, Washington (4375), which had	7,100,373,000
merged June 1, 1986, under the charter and title of the latter. The merged bank at date of merger had	7,182,622,000

COMPTROLLER'S DECISION

On December 27, 1985, application was made to the Office of the Comptroller of the Currency for prior authorization to merge South Sound National Bank, Lacey, Washington (SSNB), into Rainier National Bank, Seattle, Washington (Rainier). This application was based on an agreement finalized between the proponents on November 21, 1985.

As of September 30, 1985, Rainier, a wholly owned subsidiary of Rainier Bancorporation, had total deposits of $5.8 billion and operated 133 offices throughout the State of Washington. On the same date, SSNB operated six offices and held total deposits of $75.4 million.

The relevant geographic market for this proposal is Thurston County, where both banks compete and where SSNB operates its six offices and receives 95 percent of its deposits. This Office has determined that, in the Thurston County market, thrift institutions are substantial competitors of commercial banks. Within the relevant market, eight commercial banks with 22 offices hold $308 million in deposits, and 7 thrift institutions with 21 offices hold total deposits of $478 million. Rainier ranks eighth with 7 percent of total market deposits and SSNB ranks sixth with 8 percent of total market deposits. The resulting bank would become the second largest depository with approximately 14 percent of local market deposits. Although the proposed merger would eliminate some direct competition and increase concentration to some extent, it would not have a significantly adverse effect upon competition in the relevant geographic market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find the financial and managerial resources of Rainier to be satisfactory. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 26, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

BANK OF GALESBURG,
Galesburg, Illinois and First Farmers National Bank of Knoxville, Knoxville, Illinois

Names of banks and type of transaction	*Total assets*
First Farmers National Bank of Knoxville, Knoxville, Illinois (3287), with	$38,306,000
and Bank of Galesburg, Galesburg, Illinois, which had	50,552,000
merged June 2, 1986, under charter of the former and title "First Midwest Bank/Knox County, National Association," Galesburg, Illinois. The merged bank at date of merger had	88,858,000

* * *

THE BOATMEN'S NATIONAL BANK OF ST. LOUIS,
St. Louis, Missouri, and General Bank of St. Louis County, Clayton, Missouri, and General Bank, St. Louis, Missouri

Names of banks and type of transaction	*Total assets*
General Bank of St. Louis County, Clayton, Missouri, with	$ 167,725,000
and General Bank, St. Louis, Missouri, which had	538,558,000
and The Boatmen's National Bank of St. Louis, St. Louis, Missouri (12916), which had	2,990,968,000
merged June 2, 1986, under the charter and title of the latter. The merged bank at date of merger had	3,697,239,000

* * *

FLORIDA NATIONAL BANK,
Jacksonville, Florida, and Citrus Park Bank, Hillsborough County, Florida

Names of banks and type of transaction	*Total assets*
Florida National Bank, Jacksonville, Florida (8321), with	$5,746,517,000
and Citrus Park Bank, Hillsborough County, Florida, which had	36,073,000
merged June 4, 1986, under charter and title of the latter. The merged bank at date of merger had	5,779,881,000

* * *

VALLEY NATIONAL BANK,
Passaic, New Jersey, and The First National Bank and Trust Company of Kearny, Kearny, New Jersey

Names of banks and type of transaction	*Total assets*
Valley National Bank, Passaic, New Jersey (15790), with	$1,123,201,000
and The First National Bank and Trust Company of Kearny, Kearny, New Jersey (8627), which had	220,586,000
merged June 6, 1986, under charter and title of the former. The merged bank at date of merger had	1,343,786,000

* * *

ATLANTIC NATIONAL BANK OF FLORIDA,
Jacksonville, Florida, and The First Bankers of Polk County, Haines City, Florida, and Atlantic National Bank of Miami, Miami, Florida, and The First Bankers of Volusia County, N.A., New Smyrna, Florida, and The First Bankers of Orange County, N.A., Winter Garden, Florida, and The First Bankers of Indian River County, Vero Beach, Florida, and The First Bankers of Tampa Bay, National Association, St. Petersburg, Florida, and The First Bankers, N.A., Pompano Beach, Florida, and The First Bankers of Palm Beach County, National Association, Boca Raton, Florida, and The First Bankers of Florida, National Association, Cape Canaveral, Florida and The Bank of Pasco County, Dade City, Florida

Names of banks and type of transaction	*Total assets*
Atlantic National Bank of Florida, Jacksonville, Florida, (6888), with	$4,458,882,000
and The First Bankers of Polk County, Haines City, Florida, which had	179,785,000
and Atlantic National Bank of Miami, Miami, Florida (15020), which had	25,604,000
and The First Bankers of Volusia County, N.A., New Smyrna Beach, Florida (15064), which had	41,545,000
and The First Bankers of Orange County, N.A., Winter Garden, Florida (11389), which had	85,478,000
and The First Bankers of Indian River County, Vero Beach, Florida, which had	143,536,000
and The First Bankers of Tampa Bay, National Association, St. Petersburg, Florida (14897), which had	113,256,000
and The First Bankers, N.A., Pompano Beach, Florida, (14723), which had	466,147,000
and The First Bankers of Palm Beach County, National Association, Boca Raton, Florida (14924), which had	243,451,000
and The First Bankers of Florida, National Association, Cape Canaveral, Florida (15288), which had	103,811,000
and The Bank of Pasco County, Dade County, Florida, which had	187,125,000
merged June 9, 1986, under charter and title of the Atlantic National Bank of Florida. The merged bank at date of merger had	6,005,263,000

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THE FIRST NATIONAL BANK OF SHREVEPORT,
Shreveport, Louisiana, and Bossier Bank and Trust Company, Bossier City, Louisiana

Names of banks and type of transaction	*Total assets*
Bossier Bank and Trust Company, Bossier City, Louisiana, with	**$ 194,399,000**
was purchased June 13, 1986, by The First National Bank of Shreveport, Shreveport, Louisiana (3595), which had	**1,082,491,000**
After the purchase was effected, the purchasing institution had	**1,276,890,000**

COMPTROLLER'S DECISION

On June 13, 1986, application was made to the Comptroller of the Currency to grant prior written approval for The First National Bank of Shreveport, Shreveport, Louisiana (Assuming Bank), to purchase certain assets and assume certain liabilities of Bossier Bank & Trust Company, Bossier City, Louisiana. The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Bossier. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on June 13, 1986, Bossier had total assets of approximately $204 million. The bank was declared insolvent by the Louisiana State Banking Commissioner on June 13, 1986, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Bossier.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Bossier City community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Bossier City community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Bossier, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Bossier requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice and dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

June 13, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST NATIONAL BANK OF BORGER,
Borger, Texas, and First National Bank of Borger, Borger, Texas

Names of banks and type of transaction	*Total assets*
First National Bank of Borger, Borger, Texas (14602), with	$80,113,000
was purchased by First National Bank of Borger, Borger, Texas (21273), effective June 19, 1986, which had	NA
After the purchase was effected, the receiving bank had	NA

COMPTROLLER'S DECISION

On June 19, 1986, application was made to the Comptroller of the Currency to grant prior written approval for First National Bank of Borger, Borger, Texas (Assuming Bank), to purchase certain assets and assume certain liabilities of First National Bank of Borger, Borger, Texas (FNB of Borger). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of FNB of Borger. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business of June 19, 1986, FNB of Borger had total assets of approximately $79 million. The bank was declared insolvent by the Comptroller on June 19, 1986, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of FNB of Borger.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Borger community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Borger community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of FNB of Borger, as set forth in the agreement, is approved. The Comptroller further finds that the failure of FNB of Borger requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice and dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

June 19, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

THE FIRST NATIONAL BANK OF BOSTON,
Boston, Massachusetts, and Bank of Boston-Western Massachusetts, National Association, Springfield, Massachusetts

Names of banks and type of transaction	*Total assets*
The First National Bank of Boston, Boston, Massachusetts (200), with	$20,190,910,000
and Bank of Boston-Western Massachusetts, National Association, Springfield, Massachusetts (1939), which had	446,354,000
merged June 20, 1986, under charter and title of the former. The merged bank at date of merger had	20,608,484,000

* * *

BANK OF NEW ENGLAND-BAY STATE, NATIONAL ASSOCIATION,
Lawrence, Massachusetts, and Bank of New England-Bristol County, N.A., Fall River, Massachusetts, and Bank of New England-North Shore, Gloucester, Massachusetts, and Bank of New England-Barnstable County, National Association, Hyannis, Massachusetts, and Bank of New England-Worcester County, National Association, Boston, Massachusetts, and Bank of New England-Hancock, Quincy, Massachusetts

Names of banks and type of transaction	*Total assets*
Bank of New England-Bristol County, N.A., Fall River, Massachusetts (590), with	$ 164,198,000
and Bank of New England-North Shore, Gloucester, Massachusetts, which had	138,941,000
and Bank of New England-Barnstable County, National Association, Hyannis, Massachusetts (13395), which had	178,047,000
and Bank of New England-Worcester County, National Association, Boston, Massachusetts (13733), which had	67,446,000
and Bank of New England-Hancock, Quincy, Massachusetts, which had	424,869,000
and Bank of New England-Bay State, National Association, Lawrence, Massachusetts (1014), which had	322,236,000
merged June 27, 1986, under charter and title of the latter. The merged bank at date of merger had	1,295,674,000

* * *

THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION), New York, New York, and One Branch of American Savings Bank, FSB, New York, New York

Names of banks and type of transaction	*Total assets*
One Branch of American Savings Bank, FSB, New York, New York, with	$ 17,468,000
was purchased June 27, 1986, by The Chase Manhattan Bank (National Association), New York, New York (2370), which had	81,019,033,000
After the purchase was effected, the receiving bank had	81,036,501,000

COMPTROLLER'S DECISION

On February 7, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to purchase certain of the assets and assume certain of the liabilities of the Islip branch of American Savings Bank, FSB, New York, New York, by The Chase Manhattan Bank, National Association, New York, New York (Chase). This application was based on an agreement finalized between the proponents on December 18, 1985.

As of December 31, 1985, Chase, a wholly owned subsidiary of The Chase Manhattan Corporation, had total deposits of $59.5 billion and operated 217 affiliated offices throughout the Metropolitan New York-New Jersey area. As of September 30, 1985, the branch to be acquired had total deposits of $17 million.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a purchase of assets and assumption of liabilities clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a purchase of assets and assumption of liabilities that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered good and the resulting bank is expected to meet the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

May 20, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST FLORIDA BANK, NATIONAL ASSOCIATION, Tampa, Florida, and Rutland Bank, St. Petersburg, Florida

Names of banks and type of transaction	*Total assets*
Rutland Bank, St. Petersburg, Florida, with	$ 461,881,000
and First Florida Bank, National Association, Tampa, Florida (3497), which had	4,060,376,000
merged June 28, 1986, under charter and title of the latter. The merged bank at date of merger had	4,547,914,000

* * *

FIRST NATIONAL BANK OF WARSAW, Warsaw, Indiana, and The Etna Bank, Etna Green, Indiana

Names of banks and type of transaction	*Total assets*
The Etna Bank, Etna Green, Indiana, with	$ 26,000,000
and First National Bank of Warsaw, Warsaw, Indiana (14382), which had	190,000,000
merged June 30, 1986, under charter and title of the latter. The merged bank at date of merger had	216,000,000

COMPTROLLER'S DECISION

On March 5, 1986, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), for prior authorization to merge The Etna Bank, Etna Green, Indiana (Etna), into the First National Bank of Warsaw, Warsaw, Indiana (FNB). The application is based on an agreement finalized between FNB and Etna on October 17, 1985.

FNB, a wholly owned subsidiary of FN Bancorp, had total assets of $189 million and total deposits of $168 million as of June 30, 1985, and operated seven offices in Kosciusko County.

Etna had total assets of $25 million and total deposits of $23 million on June 30, 1985, and operated two offices in Kosciusko County.

The relevant geographic market for this proposal consists of the central and northwestern portion of Kosciusko County, the southernmost portion of Elkhart County, and the eastern portion of Marshall County, the area where Etna derives the bulk of its deposits and loans. FNB is the largest and Etna is the 8th largest of 17 financial institutions in the market.

FNB and Etna compete directly in most segments of the market, especially in Warsaw, FNB's main office location. Despite elimination of competition between the merging banks, the market will remain highly competitive, with 12 commercial banks and 4 savings associations offering banking services through twenty-six offices in the area. Consequently, consummation of the proposal will not have a significantly adverse effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered good and the resulting bank is expected to meet the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

May 30, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

NORTHEAST STATE BANK OF ALABAMA,
Henagar, Alabama, and FNS Interim Bank, National Association, Scottsboro, Alabama

Names of banks and type of transaction	*Total assets*
Northeast State Bank of Alabama, Henagar, Alabama, with	$ 12,868,000
and FNS Interim Bank, National Association, Scottsboro, Alabama (21147), which had	120,000
merged June 30, 1986, under charter 8963 and title "The First National Bank, Scottsboro, Alabama," Scottsboro, Alabama. The merged bank at date of merger had	108,383,000

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Changes in the structure of the national banking system, by states, January 1 to June 30, 1986

	In operation Dec. 31, 1985	Organized and opened for business	Merged	Voluntary liquidations	Payouts	12 USC 214		In operation June 30, 1986
						Converted to state banks	Merged with state banks	
Alabama	59	1	0	0	0	0	0	60
Alaska	6	0	0	0	0	0	0	6
Arizona	14	1	0	0	0	0	0	15
Arkansas	81	1	0	0	0	0	0	82
California	170	2	1	0	0	0	2	169
Colorado	241	6	2	0	0	0	0	245
Connecticut	17	0	0	0	0	0	0	17
Delaware	16	0	0	0	0	0	0	16
District of Columbia	18	0	0	0	0	0	0	18
Florida	182	10	17	0	0	0	0	175
Georgia	54	3	0	0	0	0	0	57
Hawaii	3	0	0	0	0	0	0	3
Idaho	7	0	0	0	0	0	0	7
Illinois	400	0	0	0	0	0	0	400
Indiana	110	0	1	0	0	1	0	108
Iowa	111	1	1	0	1	1	3	106
Kansas	170	3	0	0	1	2	1	169
Kentucky	79	0	0	0	0	0	1	78
Louisiana	71	1	1	0	0	0	0	71
Maine	8	0	0	0	0	0	0	8
Maryland	24	0	0	0	0	0	0	24
Massachusetts	58	0	6	0	0	0	0	52
Michigan	119	0	0	0	0	0	0	119
Minnesota	212	1	1	0	0	0	0	212
Mississippi	34	0	0	0	0	0	0	34
Missouri	127	1	9	0	0	1	3	115
Montana	55	1	0	0	0	0	0	56
Nebraska	120	1	2	0	0	0	0	119
Nevada	6	0	0	0	0	0	0	6
New Hampshire	25	0	1	0	0	1	0	23
New Jersey	70	0	1	0	0	0	0	69
New Mexico	44	0	0	0	0	0	1	43
New York	105	1	0	0	0	0	0	106
North Carolina	17	0	0	0	0	0	0	17
North Dakota	43	1	0	0	0	0	0	44
Ohio	145	0	2	0	0	0	0	143
Oklahoma	232	1	1	0	1	0	1	230
Oregon	8	0	0	0	0	0	0	8
Pennsylvania	185	0	0	0	0	0	0	185
Rhode Island	6	0	0	0	0	0	0	6
South Carolina	20	1	0	0	0	0	0	21
South Dakota	25	0	0	0	0	0	0	25
Tennessee	59	1	0	0	0	0	0	60
Texas	1,059	25	6	0	2	3	2	1,071
Utah	7	0	0	0	0	0	0	7
Vermont	12	0	0	0	0	0	0	12
Virginia	46	1	0	0	0	0	1	46
Washington	25	0	1	0	0	0	0	24
West Virginia	98	0	1	0	0	0	0	97
Wisconsin	121	0	0	0	0	0	1	120
Wyoming	60	0	1	0	0	0	2	57
United States	4,984	64	55	0	5	9	18	4,961

NOTES: Organized and opened for business includes all state banks converted to national banks as well as all newly-formed national banks. The title "merged" is a generic term and includes all mergers, consolidations and purchase and assumptions where the resulting institution is a nationally chartered bank. Also included in this column are immediate FDIC assisted "merger" transactions where the resulting institution is a nationally chartered bank.

Voluntary liquidations include only straight liquidations of national banks. No liquidations pursuant to a purchase and assumption transaction are included in this total. Liquidations resulting from purchase and assumptions are included in the "merged" columns.

Payouts include all failed national banks where FDIC is named receiver and no other depository institution is named as successor.

Branches of national banks, by states, January 1 to June 30, 1986*

	Branches operating at beginning of period	*Number of de novo branches opened*	*Branches acquired through merger or conversion*	*Existing branches closed or converted*	*Branches operating at end of period*
Alabama	490	6	0	2	494
Alaska	97	0	0	3	94
Arizona	409	10	0	0	419
Arkansas	215	3	1	0	219
California	2,620	25	0	29	2,616
Colorado	46	0	0	1	45
Connecticut	339	0	0	0	339
Delaware	14	0	0	0	14
District of Columbia	168	0	0	0	168
Florida	1,454	43	0	73	1,424
Georgia	554	10	0	6	558
Hawaii	11	0	0	0	11
Idaho	195	0	0	0	195
Illinois	279	4	0	4	279
Indiana	570	13	0	2	581
Iowa	117	1	0	3	115
Kansas	86	0	5	3	88
Kentucky	279	2	0	1	280
Louisiana	326	3	0	0	329
Maine	90	1	0	0	91
Maryland	548	4	0	0	552
Massachusetts	530	10	0	0	540
Michigan	943	3	0	9	937
Minnesota	148	1	1	2	148
Mississippi	313	3	0	3	313
Missouri	152	10	0	8	154
Montana	11	0	0	1	10
Nebraska	39	0	0	26	13
Nevada	93	1	0	2	92
New Hampshire	112	4	0	1	115
New Jersey	1,113	24	0	0	1,137
New Mexico	133	0	0	0	133
New York	2,063	15	0	0	2,078
North Carolina	1,010	13	0	15	1,008
North Dakota	31	0	1	0	32
Ohio	1,692	17	0	27	1,682
Oklahoma	70	0	0	0	70
Oregon	364	2	0	1	365
Pennsylvania	1,582	10	0	0	1,592
Rhode Island	125	1	0	0	126
South Carolina	390	7	0	1	396
South Dakota	101	0	0	0	101
Tennessee	477	3	0	5	475
Texas	58	7	0	1	64
Utah	179	0	0	1	178
Vermont	54	1	0	0	55
Virginia	746	7	0	8	745
Washington	665	4	0	10	659
West Virginia	89	8	0	1	96
Wisconsin	133	2	0	2	133
Wyoming	0	0	0	0	0
Total	22,323	278	8	251	22,358

*Does not include CBCT or foreign branches.

CBCT branches of national banks, by states, January 1 to June 30, 1986*

	Branches operating at beginning of period	*Number of de novo CBCTs opened*	*Branches acquired through merger or conversion*	*Existing CBCTs closed or converted*	*Branches operating at end of period*
Alabama	47	4	0	0	51
Alaska	8	0	0	0	8
Arizona	22	0	0	0	22
Arkansas	21	0	0	0	21
California	98	13	0	13	98
Colorado	68	9	0	0	77
Connecticut	61	5	0	0	66
Delaware	36	1	0	0	37
District of Columbia	29	0	0	0	29
Florida	224	8	0	60	172
Georgia	76	2	0	19	59
Hawaii	0	0	0	0	0
Idaho	3	1	0	0	4
Illinois	109	8	0	3	114
Indiana	40	4	0	0	44
Iowa	121	18	0	1	138
Kansas	83	2	1	1	85
Kentucky	25	5	0	1	29
Louisiana	36	0	0	0	36
Maine	80	13	0	0	93
Maryland	45	1	0	0	46
Massachusetts	259	33	0	0	292
Michigan	178	17	0	4	191
Minnesota	148	26	0	0	174
Mississippi	8	0	0	2	6
Missouri	8	0	0	0	8
Montana	28	6	0	1	33
Nebraska	167	6	0	25	148
Nevada	32	11	0	1	42
New Hampshire	7	3	0	0	10
New Jersey	34	4	0	0	38
New Mexico	11	0	0	0	11
New York	279	11	0	0	290
North Carolina	45	4	0	17	32
North Dakota	21	4	0	0	25
Ohio	185	14	0	10	189
Oklahoma	205	0	0	0	205
Oregon	151	4	0	3	152
Pennsylvania	227	15	0	0	242
Rhode Island	3	1	0	0	4
South Carolina	42	0	0	0	42
South Dakota	21	3	0	0	24
Tennessee	82	1	0	4	79
Texas	197	0	0	0	197
Utah	6	1	0	0	7
Vermont	1	0	0	0	1
Virginia	36	0	0	6	30
Washington	110	187	0	1	296
West Virginia	63	4	0	0	67
Wisconsin	87	17	0	2	102
Wyoming	0	0	0	0	0
Total	3,873	466	1	174	4,166

*Customer-bank communications terminal.

Federal branches and agencies of foreign banks, by state

	Federal branches and agencies—open January 1	Applications, January 1 to June 30, 1986				Federal branches and agencies opened Jan. 1 to June 30	Federal branches and agencies closed Jan. 1 to June 30	Federal branches and agencies—open June 30
		Received	Approved	Disapproved	Withdrawn			
Total *de novo*	72	0	0	1	1	0	0	72
Federal branch								
California	2	0	0	0	1	0	0	2
District of Columbia	1	0	0	0	0	0	0	1
Illinois	1	0	0	0	0	0	0	1
New York	46	0	0	1	0	0	0	46
Limited Federal branch								
California	7	0	0	0	0	0	0	7
District of Columbia	2	0	0	0	0	0	0	2
Illinois	4	0	0	0	0	0	0	4
New York	6	0	0	0	0	0	0	6
Washington	1	0	0	0	0	0	0	1
Federal agency								
Florida	1	0	0	0	0	0	0	1
Louisiana	1	0	0	0	0	0	0	1
Total conversions	12	1	0	0	0	0	0	12
State agency to Federal branch								
California	1	1	0	0	0	0	0	1
New York	9	0	0	0	0	0	0	9
State agency to limited Federal branch								
California	1	0	0	0	0	0	0	1
New York	1	0	0	0	0	0	0	1

Applications for national bank charters, January 1 to June 30, 1986

	Received	*Approved*	*Denied*	*Charters issued*	*State-chartered banks converted to national banks*	*Trust companies**	*Nonbank banks**
Alabama	1	0	0	1	0	0	0
Alaska	0	0	0	0	0	0	0
Arizona	0	0	0	1	0	0	0
Arkansas	2	1	0	0	1	0	0
California	6	0	1	1	1	0	0
Colorado	2	1	2	6	0	0	0
Connecticut	0	0	0	0	0	0	0
Delaware	1	1	0	0	0	0	1
District of Columbia	12	0	0	0	0	0	1
Florida	8	9	0	9	1	1	0
Georgia	1	0	0	0	3	0	0
Hawaii	0	0	0	0	0	0	0
Idaho	0	0	0	0	0	0	0
Illinois	0	0	0	0	0	0	0
Indiana	0	0	0	0	0	0	0
Iowa	1	0	0	1	0	0	0
Kansas	0	0	0	0	3	0	0
Kentucky	0	0	0	0	0	0	0
Louisiana	1	1	0	1	0	0	0
Maine	0	0	0	0	0	0	0
Maryland	1	0	0	0	0	0	1
Massachusetts	1	0	0	0	0	0	0
Michigan	0	0	3	0	0	0	0
Minnesota	0	0	0	0	1	0	0
Mississippi	0	0	0	0	0	0	0
Missouri	1	1	0	0	1	0	0
Montana	2	1	0	1	0	0	0
Nebraska	0	0	0	1	0	0	0
Nevada	0	1	0	0	0	0	0
New Hampshire	0	0	0	0	0	0	
New Jersey	1	1	0	0	0	0	0
New Mexico	0	0	0	0	0	0	0
New York	0	0	0	1	0	0	0
North Carolina	0	0	0	0	0	0	0
North Dakota	0	0	0	0	1	0	0
Ohio	0	0	0	0	0	0	0
Oklahoma	0	0	1	1	0	0	0
Oregon	0	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0
South Carolina	1	0	1	0	1	0	0
South Dakota	0	1	0	0	0	0	0
Tennessee	0	0	0	1	0	0	0
Texas	7	10	0	25	0	0	0
Utah	0	0	0	0	0	0	0
Vermont	0	0	0	0	0	0	0
Virginia	2	1	0	1	0	0	1
Washington	0	1	0	0	0	0	0
West Virginia	2	1	0	0	0	0	0
Wisconsin	1	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0	0
Total	54	31	8	51	13	1	4

*These figures are included in the figures for received, approved, denied and newly organized.

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Applications for new national bank charters, approved and rejected, by states, January 1 to June 30, 1986

	Approved	*Rejected*
ARKANSAS		
The Bank of Fayetteville, National Association, Fayetteville	6/9	—
CALIFORNIA		
Rancho Dominguez Bank, National Association, Carson	—	3/31
COLORADO		
National Bank of Commerce, Denver	—	6/20
Nederland National Bank, Nederland	3/25	—
First National Bank of Niwot, Niwot	—	6/27
DELAWARE		
First Atlanta Bank National Association, New Castle	3/24	—
FLORIDA		
Ameritrust Southeast National Association, Tampa	5/28	—
First National Bank of Manatee, Bradenton	2/6	—
First National Bank of Pasco, Dade City	1/17	—
Security National Bank of America, Maitland	1/10	—
Trustcorp of Florida, National Association, Naples	4/4	—
Peoples National Bank of Niceville, Niceville	1/8	—
Liberty National Bank of Orlando, Orlando	1/31	—
Seminole National Bank, Sanford	1/15	—
Guaranty National Bank of Tallahassee, Tallahassee	4/7	—
LOUISIANA		
Louisiana Guaranty National Bank, Mandeville	5/30	—
MICHIGAN		
Cadillac National Bank, Cadillac	—	6/13
Kalkaska National Bank, Kalkaska	—	4/14
Victorian National Bank, Manistee	—	4/14
MISSOURI		
Northland National Bank, Gladstone	5/5	—
MONTANA		
Blackfeet National Bank, Browning	5/12	—
NEVADA		
Laughlin National Bank, Laughlin	4/25	—
NEW JERSEY		
Hunterdon National Bank, Clinton Township	5/14	—
OKLAHOMA		
Shartel National Bank, Oklahoma City	—	6/20
SOUTH CAROLINA		
First Bank National, North Myrtle Beach	—	4/10
SOUTH DAKOTA		
Independence One Bank, National Association, Rapid City	5/9	—
TEXAS		
Fair Oaks National Bank, Bexar County	4/8	—
Interstate National Bank, Dallas	6/9	—
Farmersville National Bank, Farmersville	4/30	—
First National Bank, Fredericksburg	4/8	—
United Commerce Bank, National Association, Highland Village	2/3	—
Pan Asian National Bank, Houston	4/22	—
Victorian Heights National Bank, Houston	5/30	—
Great Western National Bank, Lewisville	5/22	—
Northeast National Bank, Mesquite	1/10	—
First National Bank of Red Oak, Red Oak	5/23	—
VIRGINIA		
The National Bank of Northern Virginia, Sterling	6/4	—
WASHINGTON		
North Cascades National Bank, Chelan	3/25	—
WEST VIRGINIA		
First West Virginia Bank National Association, Buckhannon, Buckhannon	2/18	—

New national bank charters issued, by states, January 1 to June 30, 1986

Charter number	*Date open*	*Title and location of bank*
		ALABAMA
21030	3/20	The Bank of Mobile, National Association, Mobile
		ARIZONA
21023	5/19	Gateway National Bank, Phoenix
		CALIFORNIA
18608	6/1	BT Trust Company of California, National Association, Los Angeles
		COLORADO
20534	1/6	Firstbank of Breckenridge, National Association, Breckenridge
20885	4/1	National Bank of the West, Colorado Springs
20967	4/11	Firstbank of Cherry Creek, National Association, Denver
21258	5/23	First Interstate Bank of Centennial, National Association, Englewood
20921	6/20	Park National Bank, Estes Park
20903	3/27	Firstbank at 88th/Wadsworth, National Association, Westminster
		FLORIDA
20923	4/21	Boca Raton First National Bank, Boca Raton
20942	4/7	The National Bank of Lee County, Fort Myers
20012	4/8	First National Bank of Hollywood, Hollywood
20496	4/4	Community National Bank, Lake City
20455	6/9	The Private Bank and Trust, National Association, Miami
18630	3/24	Citizens National Bank of Naples, Naples
21041	6/16	Peoples National Bank of Niceville, Niceville
20613	2/7	Ocala National Bank, Ocala
21177	2/14	The Chase Bank of Florida, National Association, St. Petersburg
		IOWA
21239	5/1	American National Bank, Bedford
		LOUISIANA
20849	6/9	Parish National Bank of St. Tammany, Slidell
		MONTANA
21259	5/30	First Citizens Bank National Association, Columbia Falls
		NEBRASKA
20866	1/6	Deposit Guaranty Omaha, National Association, Omaha
		NEW YORK
20547	3/17	Delta National Bank and Trust Company of New York, New York
		OKLAHOMA
20063	1/27	Mid City Bank, National Association, Midwest City
		TENNESSEE
18723	1/1	First American Trust Company, National Association, Nashville
		TEXAS
20506	2/14	Onion Creek National Bank, Austin
20416	2/12	Citizens National Bank, Benbrook
20508	4/25	First National Bank-Big Lake, Big Lake
21273	6/19	First National Bank of Borger, Borger
20938	5/15	East Park National Bank, Dallas
20238	3/12	Search National Bank, Dallas
20415	1/27	Bank of Desoto, National Association, Desoto
20513	4/3	First National Bank of Ennis, Ennis
20193	6/30	Riverbend Bank, National Association, Fort Worth
20421	2/13	Riverside National Bank, Grand Prairie
20931	3/17	City National Bank, Houston
21233	4/24	City National Bank of Irving, Irving
20438	6/16	First National Bank of Kennedale, Kennedale
20650	2/28	First Madisonville National Bank, Madisonville
20069	2/6	Rancho Viejo National Bank, Olmito
18546	3/3	First Western National Bank, Plano
20992	4/4	Republicbank Preston North, National Association, Plano
21015	6/2	Cattleman's National Bank, Round Mountain
18729	4/2	Crown Bank, National Association, San Antonio
18662	6/26	Allied Bank Northwest National Association, San Antonio
20431	3/3	Security Bank East, National Association, San Antonio
20441	4/11	Oak Hill National Bank, Travis County
20482	5/27	1st National Bank of Clear Lake, Webster
20078	1/29	First National Bank, Wichita Falls
20472	2/3	Windthorst National Bank, Windthorst
		VIRGINIA
20934	5/1	Central Fidelity Bank, National Association, Henrico County

State-chartered banks converted to national banks, by states, January 1 to June 30, 1986

Title and location of bank	*Effective date*	*Total assets*
Total: 13 banks		$1,896,574,000
ARKANSAS		
First National Bank of the Ozarks (18552), conversion of Citizens Bank and Trust Company, Flippin	1/9	21,886,000
CALIFORNIA		
Metropolitan National Bank (20886), conversion of Metropolitan Thrift and Loan Association, Oakland	6/9	12,592,000
FLORIDA		
Comerica Trust Company of Florida, National Association (21093), conversion of Comerica Trust Company of Florida, Boca Raton	6/12	2,214,000
GEORGIA		
Trust Company Bank of South Georgia, National Association (14907), conversion of Bank of Worth County, Albany	1/17	31,470,000
First Union National Bank of Georgia (21161), conversion of Citizens DeKalb Bank, Clarkston	4/1	41,562,000
First South Bank, National Association (21032), conversion of First South Bank, Fort Valley	3/17	49,412,000
KANSAS		
Bank IV Newton, National Association (21131), conversion of The Kansas State Bank Newton	3/31	79,396,000
Bank IV Olathe, National Association (21129), conversion of Patrons State Bank & Trust Co., Olathe	3/31	133,811,000
Bank IV Salina, National Association (21130), conversion of Planters Bank and Trust Company, Salina	3/31	102,481,000
MINNESOTA		
Norwest Bank East St. Paul, National Association (21126), conversion of Norwest Bank East St. Paul, St. Paul	5/1	86,860,000
MISSOURI		
Gravois Mercantile National Bank (21073), conversion of Gravois Mercantile Bank, St. Louis	1/15	272,991,000
NORTH DAKOTA		
Norwest Bank Hillsboro, National Association (21124), conversion of Norwest Bank Hillsboro, Hillsboro	5/1	38,531,000
SOUTH CAROLINA		
First Union National Bank of South Carolina (21183), conversion of Southern Bank and Trust Company, Greenville	4/7	1,023,368,000

Mergers, January 1 to June 30, 1986*

	Transactions involving two or more operating banks	*Transactions involving a single operating bank*	*Total*
Received	83	65	148
Approved	82	64	146
Denied	0	0	0
Abandoned	3	0	3
Consummated	86	56	142

*Mergers is a generic term which includes mergers, consolidations and purchases and assumptions.

Mergers consummated involving two or more operating banks, January 1 to June 30, 1986

(Dollar amounts in thousands)

Date Consummated	*Merging Banks* *Resulting Bank*	*Total Assets*
	ALABAMA	
	FNS Interim Bank, National Association, Scottsboro (21147)	$ 120
	Northeast State Bank of Alabama, Henagar	12,868
June 30	The First National Bank, Scottsboro, Alabama, Scottsboro (8963)	108,383
	CALIFORNIA	
	Crocker National Bank, San Francisco (1741)	18,999,000
	Wells Fargo Bank, National Association, San Francisco (15660)	23,502,000
May 30	Wells Fargo Bank, National Association, San Francisco (1741)	42,084,000
	COLORADO	
	First National Bank in Grand Junction, Grand Junction (13902)	107,442
	First National Bank-North in Grand Junction, Grand Junction (16054)	32,433
April 11	First National Bank in Grand Junction, Grand Junction (13902)	129,555
	The First National Bank of Glenwood Springs, Glenwood Springs (3661)	114,683
	First National Bank in Battlement Mesa, Parachute (17203)	3,632
May 9	First National Bank of Glenwood Springs, Glenwood Springs (3661)	118,315
	First Interstate Bank of Centennial, National Association, Englewood (21258)	NA
	Centennial State Bank of Colorado, Englewood	22,000
May 23	First Interstate Bank of Centennial, National Association, Englewood (21258)	NA
	FLORIDA	
	Lincoln First Trust Company of Florida N.A., Boca Raton (17260)	654
	The Chase Manhattan Trust Company of Florida, National Association, Boca Raton (17674)	910
January 1	The Chase Manhattan Trust Company of Florida, National Association, Palm Beach (17674)	1,564
	Southeast Bank of St. John's County, Ponte Vedra Beach	12,619
	Southeast Bank, National Association, Miami (15638)	9,870,100
January 1	Southeast Bank, National Association, Miami (15638)	9,878,083
	PNC Trust of Florida National Association, Tampa (18038)	2,139
	Northeastern Trust Company of Florida, National Association, Vero Beach (17562)	1,033
February 3	PNC Trust Company of Florida, National Association, Tampa (18038)	1,840
	National Bank of Florida, Miami (14771)	85,000
	Pan American Bank National Association, Miami (16442)	1,047,000
February 14	Pan American Bank National Association, Miami (16442)	1,132,000
	The Chase Bank of Florida, National Association, St. Petersburg (21177)	NA
	Park Bank of Florida, St. Petersburg	NA
February 14	The Chase Bank of Florida, National Association, St. Petersburg (21177)	NA
	Sun Bank/South Florida National Association, Wilton Manors (14732)	1,053,290
	Sun Bank/Palm Beach County National Association, Delray Beach (14556)	523,778
March 1	Sun Bank/South Florida, National Association, Fort Lauderdale (14732)	1,577,068
	Pan American Bank of Jacksonville National Association, Jacksonville (21022)	12,250
	NCNB National Bank of Florida, Tampa (17775)	5,418,676
March 8	NCNB National Bank of Florida, Tampa (17775)	5,430,926
	Bank of Boston Trust Company of Southwest Florida, N.A., Sarasota (17240)	1,551
	Bank of Boston-Florida National Association, Palm Beach (17277)	1,435
March 18	Bank of Boston-Florida, National Association, Palm Beach (17277)	2,986
	Gulf Coast National Bank, Sarasota (15107)	134,150
	National Bank of Sarasota National Association, Sarasota (14844)	170,059
March 21	National Bank of Sarasota, Sarasota (15107)	304,209
	American National Bank of Jacksonville, Jacksonville (14464)	329,547
	Florida Center Bank, Orlando	55,000
April 18	American National Bank of Florida, Jacksonville (14464)	363,147
	The First Bank of Marco Island National Association, Marco Island (17281)	36,503
	First National Bank and Trust Company of Naples, Naples (14770)	315,395
April 28	First National Bank and Trust Company of Naples, Naples (14770)	315,395
	Gulf Coast National Bank, Sarasota (15107)	310,811
	South County Bank, South Venice	83,215
April 28	National Bank of Sarasota, Sarasota (15107)	401,150
	NCNB National Bank of Florida, Tampa (17775)	5,418,676
	Pan American Bank of Tampa, National Association, Tampa (14827)	12,250
	Pan American Bank of Orlando, National Association, Orlando (14573)	308,714
May 17	NCNB National Bank of Florida, Tampa (17775)	5,739,592
	The Mall Bank, West Palm Beach	80,287
	The First Bankers of Palm Beach County, National Association, Boca Raton (14924)	150,829
May 19	The First Bankers of Palm Beach County, National Association, Boca Raton (14924)	231,079
	Citrus Park Bank, Hillsborough County	36,073
	Florida National Bank, Jacksonville (8321)	5,746,517
June 4	Florida National Bank, Jacksonville (8321)	5,779,881

Mergers consummated involving two or more operating banks, January 1 to June 30, 1986 — continued

(Dollar amounts in thousands)

Date Consummated	*Merging Banks* *Resulting Bank*	*Total Assets*
	Atlantic National Bank of Florida, Jacksonville (6888)	$ 4,458,882
	The First Bankers of Volusia County, N.A., New Smyrna Beach (15064)	41,545
	Atlantic National Bank of Miami, Miami (15020)	25,604
	The First Bankers of Polk County, Haines City	179,785
	The First Bankers of Palm Beach County, National Association, Boca Raton (14924)	243,451
	The First Bankers of Florida National Association, Cape Canaveral (15288)	103,811
	The Bank of Pasco County, Dade City	187,125
	The First Bankers of Indian River County, Vero Beach	143,536
	The First Bankers of Orange County N.A., Winter Garden (11389)	85,478
	The First Bankers, N.A., Pompano Beach (14723)	466,147
	The First Bankers of Tampa Bay National Association, St. Petersburg (14897)	113,256
June 9	Atlantic National Bank of Florida, Jacksonville (6888)	6,005,263
	Rutland Bank, St. Petersburg	461,881
	First Florida Bank National Association, Tampa (3497)	4,060,376
June 28	First Florida Bank, National Association, Tampa (3497)	4,547,914
	IDAHO	
	The Idaho First National Bank, Boise (1668)	2,844,555
	First Bank & Trust of Idaho, Malad City	55,867
May 9	The Idaho First National Bank, Boise (1668)	NA
	ILLINOIS	
	Ashmore State Bank, Ashmore	6,686
	The Charleston National Bank, Charleston (14024)	114,135
January 17	The Charleston National Bank, Charleston (14024)	120,811
	United Bank of Illinois, National Association, Rockford (14533)	124,438
	United Bank of Rockford, Rockford	21,071
February 28	United Bank of Illinois, National Association, Rockford (14533)	145,009
	First National Bank of Metamora, Metamora (14469)	35,716
	Peoples State Bank of Roanoke, Roanoke	18,003
May 31	First National Bank of Woodford County, Metamora (14469)	53,719
	First Farmers National Bank of Knoxville, Knoxville (3287)	38,305
	Bank of Galesburg, Galesburg	50,552
June 2	First Midwest Bank/Knox County, National Association, Galesburg (3287)	98,858
	INDIANA	
	Southern Indiana Bank and Trust Company, Evansville	10,340
	Old National Bank in Evansville, Newburgh (12444)	724,232
February 28	Old National Bank in Evansville, Evansville (12444)	734,572
	Industrial National Bank of East Chicago, East Chicago (16760)	7,780
	Mercantile National Bank of Indiana, Hammond (14529)	352,843
April 3	Mercantile National Bank of Indiana, Hammond (14529)	361,623
	The Etna Bank, Etna Green	26,000
	First National Bank of Warsaw, Warsaw (14382)	190,000
June 30	First National Bank of Warsaw, Warsaw (14382)	216,000
	IOWA	
	American National Bank, Bedford (21239)	NA
	The Bedford National Bank, Bedford (5165)	19,323
May 1	American National Bank, Bedford (21239)	NA
	Gilbertville Savings Bank, Gilbertville	21,118
	The National Bank of Waterloo, Waterloo (13702)	306,586
June 1	The National Bank of Waterloo, Waterloo (13702)	326,823
	KENTUCKY	
	The Bank of Commerce and Trust Company, Lexington	171,088
	The Second National Bank and Trust Company of Lexington, Lexington (2901)	219,990
May 17	Commerce National Bank, Lexington (2901)	391,078
	LOUISIANA	
	Security First National Bank, Alexandria (14484)	135,966
	The First National Bank of Ruston, Ruston (11795)	29,869
April 10	Security First National Bank, Alexandria (14484)	165,835
	Bossier Bank and Trust Company, Bossier City	194,399
	The First National Bank of Shreveport, Shreveport (3595)	1,082,491
June 13	The First National Bank of Shreveport, Shreveport (3595)	1,276,890

Mergers consummated involving two or more operating banks, January 1 to June 30, 1986 — continued

(Dollar amounts in thousands)

Date Consummated	*Merging Banks* *Resulting Bank*	*Total Assets*
	MASSACHUSETTS	
	The First National Bank of Boston, Boston (200)	$18,915,000
	Bank of Boston-Bristol National Association, New Bedford (17578)	327,000
April 18	The First National Bank of Boston, Boston (200)	19,209,000
	The First National Bank of Boston, Boston (200)	20,190,910
	Bank of Boston-Western Massachusetts, National Association, Springfield (1939)	446,354
June 20	The First National Bank of Boston, Boston (200)	20,608,484
	Bank of New England-Bristol County, N.A., Fall River (590)	164,198
	Bank of New England-North Shore, Gloucester	138,941
	Bank of New England-Barnstable County, National Association, Hyannis (13395)	178,047
	Bank of New England-Worcester County, National Association, Boston (13733)	67,445
	Bank of New England-Hancock, Quincy	424,869
	Bank of New England-Bay State National Association, Lawrence (1014)	322,236
June 27	Bank of New England-Bay State, National Association, Lawrence (1014)	1,295,674
	Bank of New England-Bay State National Association, Lawrence (1014)	1,295,674
	Bank of New England National Association, Boston (475)	6,185,133
June 27	Bank of New England, National Association, Boston (475)	7,144,819
	MICHIGAN	
	First of America Bank-Rudyard, Rudyard	14,306
	First of America Bank National Association, Sault Ste. Marie (3547)	37,015
January 1	First of America Bank-Sault Ste. Marie, National Association, Sault Ste. Marie (3547)	51,322
	NBD Port Huron Bank National Association, Port Huron (16612)	24,460
	Peoples Bank of Port Huron, Port Huron	241,818
April 30	Peoples Bank of Port Huron National Association, Port Huron (16612)	270,709
	Manistique Lakes Bank, Curtis	12,277
	The First National Bank at Manistique, Manistique (14280)	37,322
May 1	The First National Bank at Manistique, Manistique (14280)	49,583
	MINNESOTA	
	Carlton National Bank, Carlton (15825)	19,319
	City National Bank of Cloquet, Cloquet (15230)	29,609
February 28	City National Bank of Cloquet, Cloquet (15230)	48,029
	Fidelity Bank Northeast, Minneapolis	163,202
	Marquette Bank Minneapolis National Association, Minneapolis (11861)	1,298,204
May 1	Marquette Bank Minneapolis, National Association, Minneapolis (11861)	1,450,825
	MISSOURI	
	Commerce Bank of Columbia, National Association, Columbia (14984)	55,716
	Commerce Bank of Tipton National Association, Tipton (17165)	27,700
January 1	Commerce Bank of Columbia, National Association, Columbia (14984)	83,916
	Commerce Bank of St. Louis Co. National Association, Clayton (16945)	1,132,835
	Commerce Bank of St. Louis National Association, St. Louis (16944)	470,596
January 1	Commerce Bank of St. Louis, National Association, Clayton (16945)	1,587,600
	Centerre Bank of Chesterfield, Chesterfield	118,929
	Centerre Bank National Association, St. Louis (170)	3,054,980
	Centerre Bank of South County National Association, St. Louis (17304)	33,296
	Centarre Bank of Florissant, Florissant	148,154
February 10	Centerre Bank National Association, St. Louis County (17304)	3,355,229
	Mark Twain Parkway Bank, St. Louis County	104,740
	Mark Twain South County Bank, St. Louis County	174,969
	Mark Twain St. Louis Bank National Association, St. Louis (17422)	56,329
	Mark Twain Northland Bank, Jennings	126,664
	Mark Twain National Bank, Ladue (16570)	167,862
	Mark Twain St. Charles County Bank N.A., St. Charles (16510)	85,446
	Mark Twain Progress Bank, Fenton	63,052
	Mark Twain State Bank, Bridgeton	142,529
February 28	Mark Twain Bank, National Association, Ladue (16570)	916,091
	Gravois Mercantile National Bank, St. Louis (21073)	269,610
	Mercantile Bank of South County National Association, St. Louis (17297)	28,495
	Mercantile Trust Company National Association, St. Louis (15452)	3,852,670
	Mercantile-Commerce Trust Company, St. Louis	133,697
	Lewis and Clark Mercantile Bank, St. Louis County	78,852
	Mercantile National Bank of St. Louis County, Chesterfield (16360)	149,271
	Clayton Mercantile National Bank, Clayton (18006)	38,275
March 13	Mercantile Trust Company National Association, St. Louis (21073)	4,354,110

Mergers consummated involving two or more operating banks, January 1 to June 30, 1986 — continued
(Dollar amounts in thousands)

Date Consummated	*Merging Banks* *Resulting Bank*	*Total Assets*
	Boatmen's Union National Bank, Springfield (5209)	$ 481,566
	Boatmen's Bank of Lockwood, Lockwood	27,562
	Boatmen's Bank of Aurora, Aurora	67,582
March 24	The Boatmen's National Bank of Springfield, Springfield (5209)	575,385
	United Missouri Bank of St. Louis County, National Association, Clayton (21028)	210,489
	United Missouri Bank of St. Louis, National Association, St. Louis (16136)	96,857
	United Missouri Bank of Jefferson County, Arnold	56,671
April 15	United Missouri Bank of St. Louis, National Association, Clayton (21028)	364,017
	The Boatmen's National Bank of St. Louis, St. Louis (12916)	2,990,968
	General Bank, St. Louis	538,558
	General Bank of St. Louis County, Clayton	167,725
June 2	The Boatmen's National Bank of St. Louis, St. Louis (12916)	3,697,239
	MONTANA	
	First Citizens Bank National Association, Columbia Falls (21259)	NA
	Bank of Columbia Falls, Columbia Falls	41,470
May 30	First Citizens Bank National Association, Columbia Falls (21259)	NA
	NEBRASKA	
	The First National Bank of Lyons, Lyons (6221)	24,707
	Uehling State Bank, Uehling	2,765
January 1	The First National Bank of Lyons, Lyons (6221)	27,472
	First National Bank & Trust Company of Lincoln, Lincoln (1798)	975,245
	The First National Bank of David City, David City (2902)	1,035,401
February 1	First National Bank & Trust Company of Lincoln, Lincoln (1798)	1,035,401
	Nebraska National Bank, Omaha (17537)	17,325
	The First National Bank of Tekamah, Tekamah (4324)	21,166
March 6	Nebraska National Bank, Omaha (17537)	38,491
	NEW HAMPSHIRE	
	Dartmouth National Bank, Hanover (1145)	105,827
	First Citizens National Bank, Newport (888)	24,590
January 10	Dartmouth National Bank, Hanover (1145)	130,417
	NEW JERSEY	
	Valley National Bank, Passaic (15790)	1,123,201
	The First National Bank and Trust Company of Kearny, Kearny (8627)	220,586
June 6	Valley National Bank, Passaic (15790)	1,343,786
	NEW YORK	
	Niagara County Savings Bank, Niagara Falls	275,040
	Norstar Bank National Association, Buffalo (15080)	1,034,081
March 3	Norstar Bank, National Association, Buffalo (15080)	1,034,081
	OHIO	
	Society National Bank of Cleveland, Cleveland (14761)	2,417,607
	Centran Bank of Akron, Akron	320,087
February 17	Society National Bank, Cleveland (14761)	2,737,595
	Central National Bank of Cleveland, Cleveland (4318)	2,487,148
	Society National Bank, Cleveland (14761)	2,417,607
February 18	Society National Bank, Cleveland (14761)	4,513,441
	Society Bank of Southern Ohio, Hamilton	125,996
	Society Bank National Association, Springfield (2932)	348,953
April 20	Society Bank, National Association, Springfield (2932)	474,949
	Society Bank National Association, Springfield (2932)	479,566
	The Third National Bank and Trust Company of Dayton, Ohio, Dayton (10)	1,061,147
April 21	Society Bank, National Association, Dayton (10)	1,540,712
	OKLAHOMA	
	First State Bank, Cache	17,118
	The American National Bank of Lawton, Lawton (12067)	101,018
January 9	The American National Bank of Lawton, Cache (12067)	118,633
	Bank of Commerce and Trust Company, Tulsa	171,000
	The First National Bank and Trust Company of Tulsa, Tulsa (5171)	1,214,000
May 8	The First National Bank and Trust Company of Tulsa, Tulsa (5171)	1,380,000

Mergers consummated involving two or more operating banks, January 1 to June 30, 1986 — continued

(Dollar amounts in thousands)

Date Consummated	*Merging Banks* *Resulting Bank*	*Total Assets*
	The Liberty National Bank and Trust Company of Oklahoma City, Oklahoma City (11230)	$ 1,982,629
	The First National Bank and Trust Company of Norman, Norman (5248)	68,906
May 30	The Liberty National Bank and Trust Company of Oklahoma City, Oklahoma City (11230)	2,051,534
	OREGON	
	Canby Union Bank, Canby	27,501
	First Interstate Bank of Oregon National Association, Canby (1553)	5,442,369
January 31	First Interstate Bank of Oregon National Association, Portland (1553)	$ 5,469,7 70
	PENNSYLVANIA	
	The Hawley Bank, Hawley	33,309
	First Eastern Bank, National Association, Wilkes-Barre (30)	1,202,735
May 3	First Eastern Bank, National Association, Wilkes-Barre (30)	1,234,456
	TEXAS	
	Republicbank First National Midland, Midland (17956)	814,994
	Republicbank Midland National Association, Midland (16770)	72,257
February 28	Republicbank First National Midland, Midland (17956)	887,251
	First National Bank of Plainview, Plainview (15132)	75,564
	The City National Bank of Plainview, Plainview (14015)	48,357
March 6	First National Bank of Plainview, Plainview (15132)	123,921
	Harlingen National Bank South, Harlingen (17453)	9,624
	The Harlingen National Bank, Harlingen (14776)	103,796
March 10	The Harlingen National Bank, Harlingen (14776)	111,920
	Bank of Woodforest, Houston	40,945
	Woodforest National Bank, Houston (16892)	39,595
March 31	Woodforest National Bank, Houston (16892)	80,540
	City National Bank of Irving, Irving (21233)	NA
	First National Bank of Irving, Irving (14979)	38,462
April 24	City National Bank of Irving, Irving (21233)	NA
	Bayport National Bank, La Porte (16845)	19,030
	Bayshore National Bank of La Porte, La Porte (15468)	86,806
May 9	Bayshore National Bank of La Porte, La Porte (15468)	105,836
	Texas American Bank/Galleria, Houston	248,567
	Texas American Bank/Houston National Association, Houston (14916)	379,188
May 23	Texas American Bank/Galleria, National Association, Houston (14916)	621,834
	First National Bank of Borger, Borger (21273)	NA
	First National Bank of Borger, Borger (14602)	80,113
June 19	First National Bank of Borger, Borger (21273)	NA
	UTAH	
	Pioneer State Bank, Salt Lake City	11,356
	Zions First National Bank, Salt Lake City (4341)	2,268,123
January 24	Zions First National Bank, Salt Lake City (4341)	2,268,123
	VIRGINIA	
	Bank of Greene, Ruckersville	11,250
	Jefferson National Bank, Winchester (6031)	1,074,663
January 1	Jefferson National Bank, Charlottesville (6031)	1,085,913
	Continental Bank and Trust Company, Springfield	28,216
	Dominion Bank of Northern Virginia National Association, Vienna (14904)	323,949
April 1	Dominion Bank of Northern Virginia, National Association, Vienna (14904)	353,244
	WASHINGTON	
	South Sound National Bank, Lacey (15640)	82,249
	Rainier National Bank Seattle, Seattle (4375)	7,100,373
June 1	Rainier National Bank, Seattle (4375)	7,182,622
	WEST VIRGINIA	
	National Bank of Monongah, Monongah (7545)	22,312
	Community Bank and Trust, National Association, Fairmont (15760)	177,461
January 1	Community Bank and Trust, National Association, Fairmont (15760)	199,773
	Greenbriar Valley Bank, Lewisburg	46,261
	The First National Bank of Alderson, Alderson (5903)	36,307
March 31	Greenbriar Valley National Bank, Lewisburg (5903)	82,568

Mergers consummated involving two or more operating banks, January 1 to June 30, 1986 — continued

(Dollar amounts in thousands)

Date Consummated	*Merging Banks* *Resulting Bank*	*Total Assets*
	WYOMING	
	First National Bank of Green River, Green River (10698)	$ 25,556
	First Wyoming Bank National Association-Green River, Green River (17316)	5,488
March 31	First Wyoming Bank National Association-Green River, Green River (17316)	30,722

Mergers consummated involving a single operating bank, January 1 to June 30, 1986

(Dollar amounts in thousands)

Date Consummated	*Merging Banks* *Resulting Bank*	*Total Assets*
	ALABAMA	
January 31	Hamilton Interim Bank, National Association, Hamilton First National Bank of Hamilton, Hamilton First National Bank of Hamilton, Hamilton (16579)	$ 26,628
May 30	Brewton Interim Bank, National Association, Brewton First National Bank, Brewton The First National Bank, Brewton (15797)	65,191
June 30	FNS Interim Bank, National Association, Scottsboro The First National Bank, Scottsboro, Alabama, Scottsboro The First National Bank, Scottsboro, Alabama, Scottsboro (8963)	94,958
	ARIZONA	
April 1	National Bank of Tucson, Tucson New National Bank of Tucson, Tucson National Bank of Tucson, Tucson (18440)	31,254
	ARKANSAS	
January 1	Interim National Bank of Arkansas Little Rock, North Little Rock National Bank of Arkansas in North Little Rock, North Little Rock National Bank of Arkansas in North Little Rock, North Little Rock (16941)	52,655
	CONNECTICUT	
February 28	First National Bank-CT, Hartford First National Bank-CT(Interim), Hartford First National Bank-CT, Hartford (14750)	47,213
	DISTRICT OF COLUMBIA	
April 10	New Century National Bank, Washington Century National Bank, Washington Century National Bank, Washington (17278)	37,972
	FLORIDA	
April 15	Riverside National Bank of Florida, Fort Pierce New Riverside National Bank, Ft. Pierce Riverside National Bank, Ft. Pierce (17437)	44,202
	GEORGIA	
March 14	Chattooga County Bank, National Association, Trion First National Bank of Chattooga County, Trion The First National Bank of Chattooga County, Trion (15651)	21,274
March 31	Interim National Bank of Waynesboro, Waynesboro The First National Bank of Waynesboro, Waynesboro The First National Bank of Waynesboro, Waynesboro (7899)	25,708
May 30	Polk Interim National Bank, Cedartown The First National Bank, Cedartown The First National Bank of Polk County, Cedartown (11833)	53,940
	ILLINOIS	
January 31	FNB Geneva, National Association, Geneva The First National Bank of Geneva, Geneva The First National Bank of Geneva, Geneva (8740)	99,370
February 28	First National Bank of Skokie, Skokie FNBOS National Bank, Skokie First National Bank of Skokie, Skokie (14555)	340,841
March 31	Second National Bank in Taylorville, Taylorville First National Bank in Taylorville, Taylorville First National Bank in Taylorville, Taylorville (14769)	40,601
May 19	First National Bank of Oglesby, Oglesby FBO National Bank, Oglesby First National Bank of Oglesby, Oglesby (14446)	23,981
June 2	FNBO National Bank, Oblong The First National Bank of Oblong, Oblong The First National Bank of Oblong, Oblong (8607)	64,434
	INDIANA	
January 31	The Central National Bank of Green Castle, Green Castle Merchants Acquiring National Bank, Greencastle The Central National Bank of Greencastle, Greencastle (2896)	81,000

Mergers consummated involving a single operating bank, January 1 to June 30, 1986 — continued
(Dollar amounts in thousands)

Date Consummated	*Merging Banks Resulting Bank*	*Total Assets*
May 19	Calumet National Bank, Hammond Calumet National Interim Bank, Hammond Calumet National Bank, Hammond (14379)	$319,017
May 30	CNB Interim Bank, National Association, Mount Vernon The Posey County National Bank, Mount Vernon, Mount Vernon The Posey County National Bank, Mount Vernon, Mount Vernon (13542)	61,138
May 31	The First Interim National Bank of Cloverdale, Cloverdale The First National Bank of Cloverdale, Cloverdale The First National Bank of Cloverdale, Cloverdale (10465)	35,957
	KENTUCKY	
May 15	Interim Owensboro National Bank, Owensboro The Owensboro National Bank, Owensboro The Owensboro National Bank, Owensboro (14138)	284,537
June 4	MTS Bank, National Association, Mount Sterling The Mt. Sterling National Bank, Mount Sterling The Mount Sterling National Bank, Mount Sterling (2185)	48,666
	LOUISIANA	
February 8	The First National Bank of Abbeville, Abbeville First Abbeville National Bank, Abbeville The First National Bank of Abbeville, Abbeville (5807)	82,007
May 2	New Acadiana National Bank, Lafayette Acadiana National Bank, Lafayette Acadiana National Bank, Lafayette (18087)	35,177
	MARYLAND	
May 3	Dominion Bank of Maryland, National Association, Rockville State National Bank of Maryland, Rockville State National Bank of Maryland, Rockville (14864)	170,889
	MICHIGAN	
January 13	FIN Bank, National Association, Detroit First Independence National Bank of Detroit, Detroit First Independence National Bank of Detroit, Detroit (15801)	61,499
	NEW JERSEY	
March 31	FNMH National Bank, Mullica Hill The Farmers National Bank of Mullica Hill, Mullica Hill The Farmers National Bank of Mullica Hill, Mullica Hill (6728)	35,568
April 1	The Yardville National Bank, Trenton Yardville Bank, National Association, Yardville The Yardville National Bank, Yardville (12606)	154,402
	NEW YORK	
May 2	Community Bank, National Association, Addison Community National Bank, Addison Community National Bank, Addison (21054)	42,479
May 30	NBT National Bank, N.A., Norwich The National Bank and Trust Company of Norwich, Norwich The National Bank and Trust Company of Norwich, Norwich (1354)	404,569
	OHIO	
January 1	Bank One, Bellaire, National Association, Bellaire First-Union Bank, N.A., Bellaire Bank One, Bellaire, National, Bellaire (13914)	41,333
January 31	The FNBM National Bank of McConnelsville, McConnelsville The First National Bank of McConnelsville, McConnelsville The First National Bank of McConnelsville, McConnelsville (46)	33,023
April 30	Wayne Interim, National Association, Wooster The Wayne County National Bank of Wooster, Wooster The Wayne County National Bank of Wooster, Wooster (828)	172,372
June 2	Orrville Interim, National Association, Orrville First National Bank, Orrville First National Bank, Orrville (13742)	90,504

Mergers consummated involving a single operating bank, January 1 to June 30, 1986 — continued

(Dollar amounts in thousands)

Date Consummated	*Merging Banks Resulting Bank*	*Total Assets*
	PENNSYLVANIA	
	FNBL National Bank, Leesport	
	The First National Bank of Leesport, Leesport	
January 1	The First National Bank of Leesport, Leesport (9495)	$ 77,149
	Cochranton Interim National Bank, Cochranton	
	The First National Bank of Cochranton, Cochranton	
January 24	The First National Bank of Cochranton, Cochranton (4971)	26,900
	Community National Bank Shamokin, Shamokin	
	Interim Community National Bank, Shomokin	
March 27	Community National Bank, Shamokin (5625)	46,557
	Interim National Bank of Middleburg, Middleburg	
	Swineford National Bank, Middleburg, Middleburg	
March 31	Swineford National Bank, Middleburg (7003)	87,953
	Loysville Interim National Bank, Loysville	
	The First National Bank of Loysville, Loysville	
April 1	First National Bank of Loysville, Loysville (11524)	27,763
	MNB National Bank, Johnstown	
	The Moxham National Bank of Johnstown, Johnstown	
April 11	The Moxham National Bank of Johnstown, Johnstown (12098)	97,026
	New Tripoli Interim National Bank, New Tripoli	
	The New Tripoli National Bank, New Tripoli	
April 30	The New Tripoli National Bank, New Tripoli (9656)	46,783
	FNBF National Bank, Fleetwood	
	The First National Bank in Fleetwood, Fleetwood	
May 1	The First National Bank in Fleetwood, Fleetwood (13927)	42,925
	Marion Center Interim National Bank, Marion Center	
	The Marion Center National Bank, Marion Center	
May 1	The Marion Center National Bank, Marion Center (7819)	40,599
	Valley National Bank, Freeport	
	Interim Valley National Bank, Freeport	
June 9	Valley National Bank, Freeport (13826)	67,605
	SOUTH CAROLINA	
	Horry County National Bank, Loris	
	Southern National Bank of South Carolina, Loris	
March 31	Southern National Bank of South Carolina, Loris (15134)	39,357
	TENNESSEE	
	The Peoples National Bank of La Follette, La Follette	
	Peoples Interim National Bank, La Follette	
May 1	The Peoples National Bank of La Follette, La Follette (12467)	60,632
	First Interim National Bank, Sparta	
	The First National Bank of Sparta, Sparta	
May 23	The First National Bank of Sparta, Sparta (3614)	87,063
	TEXAS	
	First Bank of Commerce, National Association, Laredo	
	City National Bank of Laredo, Laredo	
March 27	City National Bank of Laredo, Laredo (16127)	66,909
	New First National Bank of Quitman, Quitman	
	The First National Bank of Quitman, Quitman	
June 10	The First National Bank of Quitman, Quitman (10646)	73,890
	VERMONT	
	New Randolph National Bank, Randolph	
	The Randolph National Bank, Randolph	
March 31	The Randolph National Bank, Randolph (2274)	56,532
	VIRGINIA	
	The First National Bank of Stuart, Stuart	
	Bank of Stuart, National Association, Stuart	
June 10	The First National Bank of Stuart, Stuart (11901)	63,518
	WEST VIRGINIA	
	BTA National Bank, Terra Alta	
	The First National Bank of Terra Alta, Terra Alta	
February 28	The First National Bank of Terra Alta, Terra Alta (6999)	34,970

Mergers consummated involving a single operating bank, January 1 to June 30, 1986 — continued
(Dollar amounts in thousands)

Date Consummated	*Merging Banks* *Resulting Bank*	*Total Assets*
March 31	City National Bank of Fairmont, Fairmont CNB Interim National Bank, Fairmont City National Bank of Fairmont, Fairmont (14423)	$116,069
	WISCONSIN	
March 14	Marine National Interim Bank, Milwaukee The Citizens National Bank of Stevens Point, Stevens Point Citizens Marine National Bank, Stevens Point (4912)	99,782
April 30	Valley Beaver Dam Interim National Bank, Beaver Dam First National Bank & Trust Co. of Beaver Dam, Beaver Dam First National Bank & Trust Co. of Beaver Dam, Beaver Dam (7462)	66,907
April 30	Valley Woodruff Interim National Bank, Woodruff First National Bank of Minocqua and Woodruff, Woodruff Valley National Bank, Woodruff (16787)	12,771

National banks converted to state banks, January 1 to June 30, 1986
(Dollar amounts in thousands)

Title and location of bank	*Effective date*	*Total assets*
INDIANA		
First National Bank, Hartford City (15467), converted to Pacesetter Bank of Hartford City, Hartford City	January 1	$ 21,652
IOWA		
First National Bank of Riceville, Riceville (8442), converted to First State Bank, Riceville	February 3	22,000
KANSAS		
First National Bank of Wetmore, Wetmore (6914), converted to First Bank of Wetmore	February 3	6,726
MISSOURI		
BankCenter One/St. Charles, N.A., St. Charles (20445), converted to BankCenter One/St. Charles, St. Charles	February 27	600,000
NEW HAMPSHIRE		
White Mountain National Bank of North Conway, North Conway (15100), converted to First NH-White Mountain Bank, North Conway	June 30	67,036
TEXAS		
Allied Bank, N.A., South, Austin (17065), converted to Allied Bank South Austin, Austin	April 30	28,200
Allied Bank North, N.A., Austin (16544), converted to Allied Bank North Austin, Austin	May 5	72,081
Allied Bank, N.A., Longview (16408), converted to Allied Bank, Longview, Longview	March 3	29,864

National banks merged or consolidated with state banks, January 1 to June 30, 1986
(Dollar amounts in thousands)

Title and location of bank	*Effective date*	*Total assets of national banks*
CALIFORNIA		
Saddleback National Bank, Laguna Hills (17883), merged into Landmark Bank, La Habra	May 15	$13,454
Center National Bank, Woodland Hills (17325), merged into Independence Bank, Los Angeles	April 11	47,721
IOWA		
The National Bank of Dyersville, Dyersville (13508), merged into American Trust & Savings Bank, Dubuque	April 10	43,038
The Lone Rock Bank, N.A., Lone Rock (20246), merged into Swea City State Bank, Swea City	May 29	7,462
First National Bank, Tipton (14613), merged into Citizens Savings Bank, Anamosa	February 14	17,896
KANSAS		
First National Bank of White City, White City (7970), merged into The Bank of White City, White City	February 7	9,607
KENTUCKY		
Continental National Bank Louisville, Louisville (16581), merged into River City Bank, Inc.	June 26	10,008
MISSOURI		
Commerce Bank of Bolivar, N.A., Bolivar (20918), merged into Commerce Bank of Springfield, Springfield	May 1	63,583
Landmark St. Louis Bank, N.A., St. Louis (17702), merged into Landmark Bank, Clayton	April 4	40,566
American Bank of Tarkio, N.A., Tarkio (3079), merged into American Bank of Northwest Missouri, Maryville	June 30	24,729
NEW MEXICO		
Eddy County National Bank, Carlsbad (16885), merged into United New Mexico Bank at Carlsbad, Carlsbad	April 3	30,352
TEXAS		
First National Bank of Bandera, Bandera (11814), merged into Bandera Bank, Bandera	April 24	15,541
First National Bank of Gorman, Gorman (7410), merged into Citizens State Bank, Gorman	February 26	14,486
WISCONSIN		
First National Bank of Oconto, Oconto (14233), merged into The State Bank of Oconto, Oconto	April 1	44,902
WYOMING		
First National Bank of Chugwater, Chugwater (15813), merged into First Wyoming Bank-Wheatland, Wheatland	March 31	3,416
First National Bank at Douglas, Douglas (15500), merged into First Wyoming Bank-Douglas, Douglas	February 21	14,020

National banks liquidated under emergency procedures, January 1 to June 30, 1986
(Dollar amounts in thousands)

Title and location of bank	*Effective date*	*Total assets*
IOWA		
Peoples National Bank & Trust Company, Albia (8603)	February 6	$51,966
KANSAS		
First National Bank of Chanute, Chanute (3819)	June 19	45,414
OKLAHOMA		
First National Bank of Carter, Carter (12147)	May 1	7,344
TEXAS		
Executive Center Bank, N.A., Dallas (18232)	February 14	9,911
Petrobank, N.A., Houston (17597)	June 12	35,455

NOTE: This table includes all failed banks for which FDIC is named receiver and no other depository institution is named as successor.

Assets, liabilities and capital accounts of national banks, March 30, 1985, and March 30, 1986
(Dollar amounts in millions)

	March 30, 1985 4,913 banks	*March 30, 1986 4,933 banks**	*Change March 30, 1985—March 30, 1986 Fully consolidated*	
	Consolidated foreign and domestic	*Consolidated foreign and domestic*	*Amount*	*Percent*
Assets				
Cash and balances due from depository institutions:				
Noninterest-bearing balances and currency and coin	$ 101,245	$ 117,008	$ 15,763	15.6
Interest-bearing balances	90,068	88,660	-1,408	-1.6
Securities	213,917	247,358	33,441	15.6
Federal funds sold and securities purchased under agreements to resell	60,769	75,893	15,124	24.9
Loans and leases, net of unearned income	929,346	1,007,659	78,313	8.4
Less allowance for loan and lease losses	12,134	15,713	3,579	29.5
Less allocated transfer risk reserve	37	74	37	100.0
Net loans and leases	917,175	991,872	74,697	8.1
Premises and fixed assets	23,126	24,612	1,486	6.4
Other real estate owned	3,625	4,177	552	15.2
Other assets	80,369	76,143	-4,226	-5.3
Total assets	1,490,294	1,625,724	135,430	9.1
Liabilities				
Noninterest-bearing deposits in domestic offices	220,068	255,372	35,304	16.0
Interest-bearing deposits in domestic offices	707,922	770,895	62,973	8.9
Total domestic deposits	927,990	1,026,267	98,277	10.6
Noninterest-bearing deposits in foreign offices	7,865	9,022	1,157	14.7
Interest-bearing deposits in foreign offices	205,809	207,130	1,321	0.6
Total foreign deposits	213,674	216,153	2,479	1.2
Total deposits	1,141,664	1,242,419	100,755	8.8
Federal funds purchased and securities sold under agreements to repurchase	128,852	153,459	24,607	19.1
Interest-bearing demand notes issued to the U.S. Treasury	7,168	5,568	-1,600	-22.3
Other liabilities for borrowed money	34,893	46,313	11,420	32.7
Mortgage indebtedness and liability for capitalized leases	1,736	1,573	-163	-9.4
Subordinated notes and debentures	6,970	9,040	2,070	29.7
All other liabilities	78,820	69,196	-9,624	-12.2
Total liabilities	1,400,104	1,527,569	127,465	9.1
Limited-life preferred stock	80	9	-71	-88.8
Equity capital				
Perpetual preferred stock	322	413	91	28.3
Common stock	16,232	16,775	543	3.3
Surplus	28,306	31,234	2,928	10.3
Undivided profits and capital reserves	45,577	50,022	4,445	9.8
Cumulative foreign currency translation adjustments	-328	-296	32	-9.8
Total equity capital	90,110	98,147	8,037	8.9
Total liabilities, limited-life preferred stock, and equity capital	1,490,294	1,625,724	135,430	9.1

*Does not include the nonnational bank in the District of Columbia.

Year-to-date income and expenses of foreign and domestic offices and subsidiaries of national banks, March 30, 1986

(Dollar amounts in millions)

	4,933 banks*	
	Consolidated foreign and domestic	*Percent distribution*
Interest income:		
Interest and fee income on loans	$ 28,190	75.1
Income from lease financing receivables	461	1.2
Interest income on balances due from depository institutions	1,873	5.0
Interest and dividend income on securities	5,041	13.4
Interest income from assets held in trading accounts	541	1.4
Interest income from federal funds sold and securities purchased under agreements to resell	1,479	3.9
Total interest income	37,543	100.0
Interest expense:		
Interest on deposits	18,662	79.0
Expense of federal funds purchased and securities sold under agreements to repurchase	2,963	12.5
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	1,732	7.3
Interest on mortgage indebtedness and obligations under capitalized leases	62	0.3
Interest on notes and debentures subordinated to deposits	195	0.8
Total interest expense	23,614	99.9
Net interest income	13,954	
Provision for loan and lease losses	3,313	
Provision for allocated transfer risk	17	
Noninterest income:		
Service charges on deposit accounts	1,140	21.5
Other noninterest income	4,169	78.5
Total noninterest income	5,309	100.0
Gains and losses on securities not held in trading accounts	544	
Noninterest expense:		
Salaries and employee benefits	6,343	48.1
Expenses of premises and fixed assets (net of rental income)	2,162	16.4
Other noninterest expense	4,690	35.5
Total noninterest expense	13,195	100.0
Income (loss) before income taxes and extraordinary items and other adjustments	3,297	
Applicable income taxes	841	
Income before extraordinary items and other adjustments	2,463	
Extraordinary items and adjustments, net of taxes	60	
Net income	2,523	
Total cash dividends declared	1,083	
Recoveries credited to allowance for possible loan losses	466	
Losses charged to allowance for possible loan losses	2,523	
Net loan losses	2,057	
Ratio to total operating income:		
Interest on deposits	43.5	
Other interest expense	11.6	
Salaries and employee benefits	14.8	
Other noninterest expense	16.0	
Total operating expenses	85.9	
Ratio of net income (annualized) to:		
Total assets (end of period)	0.62	
Total equity capital	10.28	

*Does not include the nonnational bank in the District of Columbia.

Domestic office deposits of national banks, by states, March 31, 1986

(Dollar amounts in millions)

	Total demand deposits at domestic offices	*NOW and automatic transfer accounts*	*Non-transaction savings accounts*	*Time certificates of deposit of $100,000 or more*	*Other large time deposits*	*All other time deposits at domestic offices*	*Total deposits at foreign offices*	*Total consolidated deposits*	*Brokered deposits*
Alabama	$ 2,142	$ 788	$ 1,762	$ 1,544	$ 165	$ 2,775	$ 288	$ 9,449	$ 289
Alaska	555	104	545	375	1	192	1	1,774	0
Arizona	2,927	898	4,163	1,897	5	3,643	30	13,563	0
Arkansas	1,500	946	1,754	1,126	52	2,554	6	7,938	13
California	31,814	9,559	39,163	21,582	1,799	21,875	43,505	169,298	3,377
Colorado	3,840	1,442	3,893	2,312	215	2,351	152	14,206	39
Connecticut	4,387	922	3,138	824	382	2,671	502	12,828	210
Delaware	195	45	1,535	1,543	0	656	98	4,072	13
District of Columbia	2,866	807	3,707	2,122	24	914	1,923	12,363	327
Florida	12,811	5,209	17,470	6,024	382	11,554	751	54,180	254
Georgia	5,906	1,216	4,816	2,332	118	4,286	797	19,471	326
Hawaii	42	25	47	32	0	28	0	175	0
Idaho	719	435	1,241	443	4	1,661	0	4,502	42
Illinois	14,310	3,314	12,433	10,164	2,013	14,497	23,730	80,461	1,013
Indiana	3,852	1,763	4,519	2,180	44	7,060	315	19,733	23
Iowa	1,499	770	1,496	495	2	3,175	8	7,446	64
Kansas	1,597	890	2,043	1,206	54	2,947	0	8,817	49
Kentucky	2,217	990	1,846	1,110	32	3,352	82	9,629	164
Louisiana	3,392	912	4,318	3,724	22	2,921	23	15,312	231
Maine	423	188	732	138	6	531	0	2,018	0
Maryland	3,890	647	4,052	931	7	3,017	716	13,260	278
Massachusetts	7,364	1,503	7,817	3,905	756	2,919	6,588	30,852	659
Michigan	6,194	1,795	8,420	3,032	144	8,658	1,587	29,831	144
Minnesota	5,207	1,804	4,110	6,019	674	6,089	2,212	26,115	1,827
Mississippi	1,487	546	1,429	1,114	4	2,367	29	6,975	0
Missouri	5,697	1,663	3,919	3,061	277	4,840	600	20,057	201
Montana	494	337	774	253	1	1,213	0	3,073	2
Nebraska	1,609	931	1,361	523	4	3,278	0	7,706	2
Nevada	851	347	805	869	0	625	0	3,497	106
New Hampshire	539	347	847	300	2	650	0	2,685	1
New Jersey	10,761	2,312	12,061	2,886	140	8,377	442	36,978	57
New Mexico	854	563	1,221	1,010	44	1,160	0	4,853	0
New York	31,509	4,487	32,512	11,379	6,696	17,564	108,863	213,011	588
North Carolina	5,426	1,796	6,776	3,091	224	6,033	1,464	24,811	360
North Dakota	370	374	510	236	0	1,187	0	2,676	4
Ohio	9,681	4,008	13,322	5,177	319	15,461	765	48,734	213
Oklahoma	3,112	1,420	2,938	4,676	49	4,269	140	16,604	195
Oregon	1,964	1,095	3,286	767	0	2,504	22	9,637	135
Pennsylvania	14,081	3,785	16,127	7,568	550	16,350	6,210	66,670	1,899
Rhode Island	958	230	1,597	1,150	351	1,508	944	6,799	554
South Carolina	1,660	829	1,808	463	6	1,581	0	6,348	0
South Dakota	428	466	798	1,569	2	2,171	0	5,424	892
Tennessee	3,569	1,690	2,991	2,226	21	5,218	101	15,817	7
Texas	22,143	6,641	14,853	32,661	4,489	16,454	11,504	108,745	2,746
Utah	1,118	417	1,130	1,107	4	1,336	63	5,176	6
Vermont	220	117	450	89	9	453	0	1,337	0
Virginia	3,137	1,388	3,498	1,544	181	5,250	8	15,007	250
Washington	4,670	1,544	5,774	2,372	44	5,426	1,397	21,226	338
West Virginia	1,072	529	1,848	472	5	2,875	0	6,801	5
Wisconsin	2,596	792	3,155	1,319	37	3,801	307	12,006	94
Wyoming	429	328	622	203	201	674	0	2,546	0
Puerto Rico	2	1	0	6	0	2	0	12	3
All national banks	250,089	76,015	273,425	163,322	20,543	242,957	216,152	1,242,503	17,998

Domestic office loans of national banks, March 31, 1986

(Dollar amounts in millions)

	Total loans, gross	Loans secured by real estate	Commercial and industrial loans	Personal loans to individuals	Loans to financial institutions	Loans to farmers	Other loans	Total loans at foreign offices	Total loans less unearned income
Alabama	$ 7,358	$ 2,144	$ 2,198	$ 1,745	$ 82	$ 48	$ 1,108	$ 33	$ 7,192
Alaska	1,473	487	553	185	0	3	241	4	1,472
Arizona	11,067	3,620	3,056	2,912	266	423	745	44	11,043
Arkansas	5,322	1,933	1,728	1,106	78	167	301	9	5,224
California	147,380	44,596	30,349	22,256	1,664	2,464	9,791	36,261	147,226
Colorado	10,110	3,330	3,293	2,091	67	477	851	3	10,088
Connecticut	9,630	3,307	3,221	2,168	168	17	573	176	9,485
Delaware	10,241	379	446	9,271	1	1	143	0	10,240
District of Columbia	8,801	2,866	2,456	774	417	1	1,385	902	8,755
Florida	39,113	15,641	8,867	10,246	452	126	3,414	366	38,332
Georgia	16,766	4,191	5,227	4,235	76	75	2,694	267	16,624
Hawaii	118	62	39	15	0	0	1	0	118
Idaho	3,452	903	951	959	17	347	275	0	3,433
Illinois	62,847	11,014	21,872	8,053	592	906	7,017	13,393	62,429
Indiana	14,501	4,336	3,773	3,469	414	282	2,060	167	14,344
Iowa	4,434	1,258	1,017	999	34	555	560	11	4,415
Kansas	5,305	1,297	1,730	1,069	41	777	392	0	5,280
Kentucky	7,332	2,114	2,200	1,636	69	137	1,120	57	7,222
Louisiana	10,472	3,201	3,473	2,315	45	68	1,296	74	10,341
Maine	1,553	612	502	319	0	8	111	0	1,551
Maryland	11,318	3,059	2,709	3,162	197	35	1,357	798	11,278
Massachusetts	29,337	6,489	11,267	3,173	436	18	2,831	5,122	29,120
Michigan	22,116	6,185	8,072	3,986	326	134	2,599	814	22,064
Minnesota	21,562	4,503	8,397	2,967	126	621	3,903	1,045	21,445
Mississippi	4,728	1,531	1,205	1,315	252	80	346	0	4,576
Missouri	14,285	4,252	4,212	2,908	330	297	1,956	329	14,199
Montana	2,136	494	704	476	10	350	102	0	2,114
Nebraska	4,791	889	1,143	1,080	114	1,081	485	0	4,784
Nevada	4,153	846	621	2,440	78	10	157	0	4,153
New Hampshire	2,160	817	620	591	7	1	124	0	2,133
New Jersey	27,452	9,940	8,625	5,446	781	12	2,462	187	27,023
New Mexico	3,277	1,129	1,050	823	29	132	113	0	3,229
New York	178,080	24,235	28,994	16,815	4,388	308	12,969	90,370	175,019
North Carolina	23,504	6,267	7,399	5,217	472	163	3,279	707	23,390
North Dakota	1,700	431	537	335	2	296	100	0	1,697
Ohio	38,808	9,942	11,213	11,649	538	304	4,838	325	38,267
Oklahoma	10,714	3,623	3,598	1,515	141	706	1,125	5	10,638
Oregon	8,297	2,278	3,074	1,601	56	255	952	80	8,235
Pennsylvania	57,567	11,026	20,442	8,360	2,955	182	10,844	3,757	56,951
Rhode Island	5,849	1,985	1,818	963	158	5	667	253	5,827
South Carolina	5,295	1,411	1,544	1,567	105	43	624	0	5,155
South Dakota	10,986	448	712	9,142	10	499	175	0	10,964
Tennessee	11,718	3,350	3,619	2,631	260	98	1,748	13	11,584
Texas	87,490	30,292	33,318	9,966	1,504	1,764	7,344	3,301	86,708
Utah	4,265	1,524	1,202	968	20	68	483	0	4,250
Vermont	1,046	480	296	193	15	11	51	0	1,046
Virginia	13,158	4,258	3,188	4,091	20	129	1,465	8	12,806
Washington	19,692	5,401	5,754	4,120	143	711	2,166	1,396	19,652
West Virginia	4,084	1,621	757	1,444	7	10	244	0	3,968
Wisconsin	9,239	2,989	2,910	1,575	77	223	1,197	269	9,197
Wyoming	1,409	428	509	277	4	158	33	0	1,402
Puerto Rico	7	1	5	1	0	0	0	0	7
All national banks	1,017,496	259,414	276,466	186,617	18,046	15,586	100,818	160,546	1,007,697

Outstanding balances, credit cards and related plans of national banks, March 31, 1986

(Dollar amounts in thousands)

	Total number of national banks	*Credit cards and other related credit plans*	
		Number of national banks	*Outstanding volume*
All national banks	4,934	2,386	$61,814,880
Alabama	53	13	233,050
Alaska	6	4	72,730
Arizona	14	12	684,245
Arkansas	81	11	98,371
California	170	153	10,445,644
Colorado	242	210	763,213
Connecticut	17	10	386,389
Delaware	15	13	7,838,259
District of Columbia	19	17	120,727
Florida	173	73	1,975,292
Georgia	54	31	1,455,734
Hawaii	3	2	2,797
Idaho	7	6	153,555
Illinois	400	181	3,427,270
Indiana	108	78	757,207
Iowa	106	55	317,285
Kansas	169	42	211,795
Kentucky	78	34	151,434
Louisiana	70	22	493,896
Maine	8	8	62,370
Maryland	24	13	1,658,925
Massachusetts	58	47	859,919
Michigan	119	91	1,122,473
Minnesota	211	146	372,302
Mississippi	33	7	66,265
Missouri	117	59	852,518
Montana	55	30	44,660
Nebraska	119	39	383,761
Nevada	6	4	1,996,968
New Hampshire	23	19	126,984
New Jersey	71	49	796,751
New Mexico	44	11	192,383
New York	105	56	4,462,812
North Carolina	17	15	1,273,980
North Dakota	43	25	25,449
Ohio	142	99	2,681,617
Oklahoma	232	67	192,807
Oregon	8	5	461,642
Pennsylvania	184	62	737,664
Rhode Island	5	3	376,850
South Carolina	20	15	321,657
South Dakota	25	12	8,639,792
Tennessee	59	20	503,314
Texas	1,060	316	818,485
Utah	7	4	161,079
Vermont	12	3	27,956
Virginia	46	17	884,116
Washington	24	11	1,564,240
West Virginia	96	22	70,726
Wisconsin	117	97	470,634
Wyoming	58	46	14,007
Puerto Rico	1	1	883
District of Columbia*	20	18	121,004

*Includes the nonnational bank in the District of Columbia which is also supervised by the Comptroller of the Currency.

National banks engaged in lease financing, March 31, 1986
(Dollar amounts in thousands)

	Total number of national banks	*Number of banks engaged in lease financing*	*Amounts of lease financing at domestic offices*
All national banks	4,934	1,145	$14,483,701
Alabama	53	7	48,460
Alaska	6	2	6,628
Arizona	14	2	178,193
Arkansas	81	25	19,621
California	170	54	3,652,860
Colorado	242	87	147,161
Connecticut	17	3	2,197
Delaware	15	1	13,521
District of Columbia	19	7	55,057
Florida	173	30	226,653
Georgia	54	19	302,515
Hawaii	3	1	729
Idaho	7	3	85,085
Illinois	400	89	108,715
Indiana	108	34	324,854
Iowa	106	24	13,820
Kansas	169	40	44,127
Kentucky	78	22	150,851
Louisiana	70	11	75,758
Maine	8	2	9,141
Maryland	24	6	238,916
Massachusetts	58	18	1,044,684
Michigan	119	22	240,586
Minnesota	211	73	198,927
Mississippi	33	7	15,985
Missouri	117	34	203,846
Montana	55	13	1,889
Nebraska	119	40	69,384
Nevada	6	2	19,602
New Hampshire	23	2	6,591
New Jersey	71	20	243,120
New Mexico	44	20	17,490
New York	105	27	2,018,547
North Carolina	17	6	677,787
North Dakota	43	16	9,082
Ohio	142	65	956,980
Oklahoma	232	57	36,028
Oregon	8	2	304,427
Pennsylvania	184	25	1,002,195
Rhode Island	5	2	397,201
South Carolina	20	4	48,122
South Dakota	25	9	1,709
Tennessee	59	26	80,208
Texas	1,060	114	399,277
Utah	7	3	117,382
Vermont	12	0	0
Virginia	46	9	193,110
Washington	24	8	376,402
West Virginia	96	8	3,339
Wisconsin	117	32	93,545
Wyoming	58	12	1,394
Puerto Rico	1	0	0
District of Columbia*	20	7	55,057

*Includes the nonnational bank in the District of Columbia which is supervised by the Comptroller of the Currency.

Total loans and leases past due at national banks, by states, March 31, 1986

(Dollar amounts in millions)

	Number of banks	Type of loan					
		Real estate	*Commercial and industrial*	*Personal*	*All other*	*Total domestic loans*	*Foreign*
Reporting national banks	4,934	$13,628.4	$13,198.2	$6,392.18	$6,540.99	$42,684.6	$8,373.44
Alabama	53	62.4	55.4	51.00	26.74	212.3	0.00
Alaska	6	34.3	39.1	4.89	35.72	119.3	1.00
Arizona	14	243.4	132.4	80.89	62.12	520.2	7.25
Arkansas	81	118.4	72.3	40.65	58.44	343.9	0.00
California	170	2,826.8	2,805.9	808.16	1,230.97	7,736.5	1,783.99
Colorado	242	185.5	144.0	71.02	263.53	824.7	0.00
Connecticut	17	129.9	98.4	61.07	11.83	303.3	20.63
Delaware	15	28.8	9.5	429.65	4.35	475.7	0.00
District of Columbia	19	202.7	128.8	11.58	23.82	370.7	21.78
Florida	173	765.2	338.6	238.14	169.98	1,557.7	17.06
Georgia	54	128.5	122.8	134.95	58.31	458.2	32.00
Hawaii	3	1.1	—	0.39	0.88	4.0	0.00
Idaho	7	47.0	55.4	25.03	55.96	186.4	0.00
Illinois	400	694.3	781.5	231.00	297.76	2,268.8	681.74
Indiana	108	117.5	108.6	91.89	80.60	466.9	8.96
Iowa	106	41.1	23.7	32.43	105.32	340.4	1.50
Kansas	169	44.2	33.4	32.22	84.47	271.2	0.00
Kentucky	78	77.3	46.7	36.31	57.62	255.0	4.00
Louisiana	70	277.5	200.5	117.48	61.69	723.0	0.00
Maine	8	18.6	16.9	9.48	4.23	50.6	0.00
Maryland	24	99.7	116.2	190.13	18.82	428.2	13.14
Massachusetts	58	226.2	489.4	100.77	91.70	927.7	298.08
Michigan	119	205.4	201.3	85.00	86.55	634.2	19.07
Minnesota	211	302.0	449.3	82.49	340.51	1,370.4	99.73
Mississippi	33	62.6	28.4	46.71	27.15	180.7	0.00
Missouri	117	153.7	208.3	76.60	87.33	600.7	39.40
Montana	55	30.4	23.6	23.39	78.15	231.3	0.00
Nebraska	119	40.5	24.9	35.08	155.12	330.4	0.00
Nevada	6	60.7	46.0	70.43	3.85	181.3	0.00
New Hampshire	23	21.0	10.3	13.18	11.40	61.5	0.00
New Jersey	71	334.7	264.6	151.83	66.40	846.9	4.20
New Mexico	44	58.5	33.4	24.39	38.71	207.9	0.00
New York	105	1,257.0	1,230.1	779.72	264.20	3,567.8	4,782.33
North Carolina	17	93.4	175.0	103.06	52.99	425.5	21.36
North Dakota	43	15.9	—	12.95	58.98	150.9	0.00
Ohio	142	418.3	446.9	318.08	134.97	1,383.4	31.71
Oklahoma	232	249.3	204.3	53.28	254.98	1,039.3	0.00
Oregon	8	171.5	113.6	43.53	60.01	391.8	1.50
Pennsylvania	184	422.0	906.3	240.63	491.63	2,101.1	145.54
Rhode Island	5	88.3	64.5	29.20	15.10	197.1	16.28
South Carolina	20	48.7	28.1	39.85	17.09	139.4	0.00
South Dakota	25	15.5	35.7	667.56	118.56	859.4	0.00
Tennessee	59	115.9	164.8	81.85	40.80	421.6	0.44
Texas	1,060	2,175.6	1,856.9	275.31	822.45	5,703.7	221.57
Utah	7	165.7	63.2	33.13	16.58	280.7	0.00
Vermont	12	15.7	17.4	7.18	5.08	47.0	0.00
Virginia	46	176.4	79.3	88.42	68.30	420.5	0.00
Washington	24	355.3	553.3	113.36	219.02	1,249.0	97.72
West Virginia	96	73.6	14.5	53.67	32.69	204.4	0.00
Wisconsin	117	103.6	110.3	32.59	101.55	420.7	1.44
Wyoming	58	26.6	24.4	10.53	65.92	191.3	0.00
Puerto Rico	1	0.0	—	0.01	0.00	0.0	0.00

NOTE: Sum of Real estate, Commercial and industrial, Personal and All other past due loans and leases is less than the Total domestic because nonaccrual loans are not reported by loan type by banks filing the abbreviated Report of Condition, and as a result are counted in the total figure only. Dashes indicate amounts less than $500,000.

Average national banks' percent of loans past due at domestic offices, by assets

	Assets in millions of dollars									
	Less than $10	*$10 to $20*	*$20 to $25*	*$25 to $40*	*$40 to $100*	*$100 to $300*	*$300 to $900*	*$900 to $5,000*	*$5,000 or more*	*All national banks*
Real estate										
September 1984 . . .	2.1	3.4	3.5	3.6	3.3	2.8	3.4	4.0	4.5	3.2
December 1984	2.0	3.6	3.9	3.8	3.6	3.0	4.0	4.4	5.7	3.5
March 1985	2.3	3.8	4.0	4.0	3.7	3.1	4.0	4.2	5.0	3.6
June 1985	2.2	3.9	3.6	3.5	3.5	3.1	3.9	3.8	4.9	3.4
September 1985 . . .	2.1	3.6	3.7	3.6	3.4	3.1	4.0	4.1	5.0	3.4
December 1985	2.2	4.3	3.7	3.9	3.5	3.3	4.2	4.2	5.1	3.6
March 1986	2.8	4.5	3.9	4.0	3.8	3.5	4.9	4.8	6.0	3.9
Commercial and industrial										
September 1984 . . .	NA	NA	NA	NA	NA	NA	4.9	5.1	5.3	4.8
December 1984	NA	NA	NA	NA	NA	NA	5.0	5.1	5.5	4.9
March 1985	NA	NA	NA	NA	NA	NA	5.1	5.0	5.4	4.9
June 1985	NA	NA	NA	NA	NA	NA	5.0	4.5	5.2	4.7
September 1985 . . .	NA	NA	NA	NA	NA	NA	5.0	4.7	4.8	4.7
December 1985	NA	NA	NA	NA	NA	NA	4.8	4.5	4.7	4.6
March 1986	NA	NA	NA	NA	NA	NA	5.7	5.1	4.8	5.3
Personal										
September 1984 . . .	2.6	3.5	2.9	3.4	3.1	2.5	2.2	2.4	2.2	3.0
December 1984	2.8	3.8	3.5	3.6	3.2	2.7	2.4	2.7	2.4	3.2
March 1985	2.5	3.5	3.7	3.4	3.2	2.5	2.3	2.5	2.6	3.1
June 1985	2.6	3.4	3.3	3.3	2.9	2.3	2.3	2.4	2.4	2.9
September 1985 . . .	2.4	3.5	3.2	3.0	3.1	2.6	2.4	2.7	3.1	3.0
December 1985	2.9	4.0	3.4	3.3	3.3	2.9	2.5	3.0	3.2	3.3
March 1986	2.7	3.9	3.9	3.4	3.3	2.8	2.7	3.0	3.0	3.3
All other										
September 1984 . . .	2.4	3.8	4.1	4.3	3.8	3.3	1.4	1.8	3.3	5.0
December 1984	2.6	4.2	4.5	4.5	4.1	3.5	2.0	2.2	3.4	3.8
March 1985	3.2	4.3	4.4	5.0	4.8	3.9	2.0	2.4	3.7	4.3
June 1985	2.8	4.3	4.0	4.2	4.2	3.5	2.1	2.0	3.3	3.8
September 1985 . . .	3.3	4.7	4.5	4.1	4.2	3.6	2.0	2.4	3.3	4.0
December 1985	3.6	5.1	4.7	4.6	4.5	3.7	1.6	2.2	2.8	4.2
March 1986	3.9	5.7	5.2	5.4	5.2	4.3	2.4	2.6	3.1	4.8
Total loans										
September 1984 . . .	2.6	4.4	4.7	4.8	4.5	4.0	3.6	3.7	4.2	4.3
December 1984	2.7	5.0	5.2	5.3	4.9	4.3	4.0	3.9	4.5	4.7
March 1985	3.3	5.2	5.9	5.8	5.4	4.7	3.9	3.9	4.4	5.1
June 1985	3.4	5.2	5.1	5.3	5.1	4.5	3.9	3.6	4.2	4.8
September 1985 . . .	3.5	5.2	5.8	5.4	5.3	4.8	4.0	3.8	4.3	5.0
December 1985	4.2	5.9	5.7	5.7	5.4	4.8	4.0	3.9	4.2	5.3
March 1986	4.8	6.7	6.6	6.4	6.1	5.4	4.6	4.4	4.5	5.9

See notes at end of tables.

Average national banks' percent of loans past due at foreign offices, by assets

	Assets in millions of dollars			
	$300 to $900	*$900 to $5,000*	*$5,000 or more*	*All national banks*
All foreign office loans				
September 1984	9.8	8.7	8.2	8.8
December 1984	11.3	7.6	7.8	8.2
March 1985	9.1	7.4	8.2	7.9
June 1985	9.8	7.7	7.4	8.0
December 1985	11.4	9.0	6.0	8.3
March 1986	8.1	8.7	5.5	7.4

NOTES:

These figures include non-accrual and past due loan and lease financing receivables.

Past due loans—These items are (1) single payment notes 30 days or more past maturity; (2) single payment notes with interest due at specified intervals and demand notes on which interest is due and unpaid for 30 days or more; (3) amortizing real estate loans and closed-end monthly installment loans and lease financing receivables in arrears two or more monthly payments, or, if scheduled other than monthly, when one scheduled payment is due and unpaid for 30 days or more; (4) open-end credit accounts on which the customer has not made the minimum monthly payment for two or more billing cycles; and (5) unplanned overdrafts outstanding 30 days or more after origination.

Non-accrual loans—These items are (1) those maintained on a cash basis because of deterioration in the financial position of the borrower; and (2) those on which principal or interest has been in default for a period of 90 days or more unless the obligation is both well secured and in the process of collection, in which case it is considered merely past due.

Average banks' percent of loans past due—Percentages reported are averages of individual banks' percentages of loans past due with each bank accorded the same weight regardless of size; those individual bank percentages are based on dollar value of loans past due. All figures are as of the last day of the month indicated.

Loan categories—The loan categories for this table correspond to those for the report of condition except for "Other loans." "Other loans" includes loans to financial institutions, loans for purchasing or carrying securities, loans to farmers and all other loans not included in the specified categories.

Data for prior periods, based on slightly different definitions, may be found in the *Quarterly Journal*, Volume 2, Number 1, pp. 229-232.

Beginning March 1984, past due commercial and industrial loans of banks with less than $300 million in assets have been combined with all other loans.

Foreign branches of national banks, by region and country, December 31, 1985

Region and country	Number
Central America	40
El Salvador	2
Guatemala	2
Honduras	2
Mexico	5
Nicaragua	2
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Barbados	1
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Guam	3
Puerto Rico	31
Virgin Islands	14
Total	786

Foreign branch assets and liabilities of national banks, December 31, 1985
(Dollar amounts in thousands)

Assets	
Cash and cash items in process of collection	$ 970,326
Balances with U.S. banks (including IBFs and foreign branches of U.S. banks)	11,616,096
Balances with foreign banks (including U.S. branches and agencies of foreign banks & their IBFs)	42,975,811
Securities	5,537,548
Loans, discounts, overdrafts, and leases	
A. Secured by real estate	5,081,502
B. To financial institutions	10,657,882
C. To commercial and industrial borrowers	60,017,539
D. To Non-U.S. govt. and official institutions	9,862,256
E. To all others	7,629,281
Less: unearned discount	307,690
Total loans and leases, net	92,940,770
Customers' liability on acceptances outstanding	6,879,823
Premises, furniture and fixtures	1,272,326
Accruals—interest earned, foreign exchange profits, etc.	2,522,880
Net due from other foreign branches of this bank	26,581,571
Net due from head office and U.S. branches of this bank	17,250,273
Net due from consolidated subsidiaries of this bank	10,944,132
Other assets	3,821,937
Total assets	223,313,493

Liabilities	
Deposits of U.S. banks (including IBFs and foreign branches of U.S. banks)	$ 14,589,948
Deposits of foreign banks (including U.S. branches of foreign banks and their IBFs)	38,125,736
Other deposits	99,197,035
Liabilities for borrowed money	7,745,644
Liability on acceptances executed and outstanding	5,609,420
Accrued taxes and other expenses	2,763,595
Net due to other foreign branches of this bank	28,147,079
Net due to head office and U.S. branches of this bank	22,331,539
Net due to consolidated subsidiaries of this bank	3,446,137
Other liabilities	1,357,360
Total liabilities	223,313,493
Memoranda	
Standby letters of credit	14,422,239
Commercial letters of credit issued and outstanding	4,265,429
Guarantees and letters of indemnity	2,989,842
Commitments to purchase foreign currency and U.S. dollar exchange	273,547,739
Total interest bearing balances included in items 2 and 3	52,496,531
Total interest bearing deposits included in items 14, 15 and 16	144,393,480

Total foreign branch assets of national banks, yearend 1953—1985*

(Dollar amounts in thousands)

Year	*Branches*	*Assets*
1953	NA	$ 1,682,919
1954	NA	1,556,326
1955	85	1,116,003
1956	NA	1,301,883
1957	NA	1,342,616
1958	NA	1,405,020
1959	NA	1,543,985
1960	93	1,628,510
1961	102	1,780,926
1962	111	2,008,478
1963	124	2,678,717
1964	138	3,319,879
1965	196	7,241,068
1966	230	9,364,278
1967	278	11,856,316
1968	355	16,021,617
1969	428	$ 28,217,139
1970	497	38,877,627
1971	528	50,550,727
1972	566	54,720,405
1973	621	83,304,441
1974	649	99,810,999
1975	675	111,514,147
1976	635	134,790,497
1977	629	161,768,609
1978	646	180,712,782
1979	667	217,611,974
1980	672	242,763,325
1981	710	274,776,705
1982	767	272,989,320
1983	769	275,180,362
1984	800	231,507,751
1985	786	223,313,493

*Includes military facilities operated abroad by national banks from 1966 through 1971.

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Quarterly Journal

THE DEPARTMENT OF THE TREASURY
1789

ORIGINAL

Office of the Comptroller of the Currency

Robert L. Clarke

Comptroller of the Currency

The Administrator of National Banks

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Operations of National Banks

During the second quarter of 1986 the nation's economic expansion slowed down abruptly. During the April to June period, the gross national product (GNP) grew only 0.6 percent — the lowest rate in nearly four years. The mainstays of the economy during the quarter were consumer spending and housing outlays. Two equally large factors precluded a more vigorous GNP advance: first, a surge in imports of foreign goods satisfied a substantial part of the increase in domestic demand; and second, businesses bought fewer goods to put into their inventories than they bought in the first quarter.

A strong reason for the persistence of the U.S. trade deficit is that the international value of the dollar has fallen with respect to only a few of America's trading partners — Western Europe and Japan. The currencies of important exporting countries such as Canada, Taiwan, South Korea and Hong Kong have not appreciated relative to the dollar. The major factor in the second quarter's slow inventory growth was the intense effort by automobile manufacturers to reduce large stocks of unsold cars.

A bright spot on the economic front was that interest rates during the quarter reached their lowest level in 9 years. This was due to continued low inflation and an accommodating policy by the Federal Reserve Board. In April, the major money center banks reduced the prime rate they charge on loans to 8.50 percent.

On June 30, 1986 there were 4,914 active national banks. Eleven of these were multinational banks — the largest national banks with worldwide operations. Another 188 were regional national banks with total assets in excess of $1 billion. The remaining 4,715 national banks were community banks, banks with total assets of less than $1 billion.

Six-month 1986 net profits in national banks were $4.5 billion, a decline of 10.7 percent from those posted for the comparable period 1 year ago. Gains in net interest income, revenues from fees and service charges, and profits from the sale of investment securities were offset by a continued surge in loan loss provision expense.

When compared to the first 6 months of 1985, net interest income in national banks climbed 8.2 percent during the first half of 1986. This reflected a larger volume of interest earning assets and wider spreads between interest revenues and interest costs.

The ratio of net interest earnings to average earning assets jumped 8 basis points to 4.92 percent in regional national banks from June 1985 to June 1986. For multinational banks, the gain was 2 basis points to 3.57 percent. The spread in community banks dropped 14 basis points from 1985 to 5.10 percent as of June 30, 1986. A higher volume of nonperforming loans placed a significant drag on net interest margins in several smaller national banks.

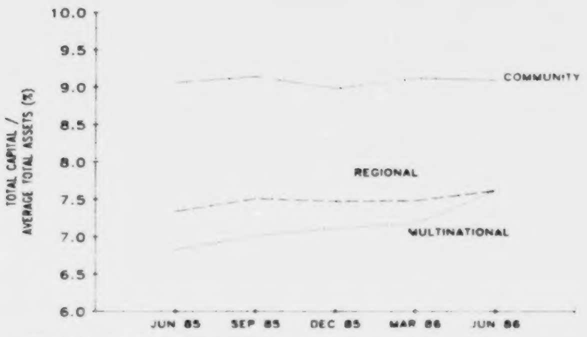
Revenue from noninterest sources was up significantly in the first half of 1986, particularly in the larger banks. As interest rates continued on a downward course during the first 6 months of the year, a majority of the national banks saw the value of their investment portfolios balloon. During the year many of these banks took advantage of this phenomenon by selling a portion of their bond holdings for substantial gains.

Securities gains in the first half of 1986 increased 155 percent from those posted for the same period 1 year earlier and represented all of the period-to-period increase in 6-month pretax net operating income for 1986. Regional national banks accounted for over one-half of the aggregate growth in this nonrecurring income source.

Growth in income also was strong from other noninterest revenue sources such as bank fiduciary activities, where asset-based fees benefited from the substantial rise in the bond and equity markets; fees and commissions from foreign exchange trading; and aggressive pricing intiatives on a range of fee-based services.

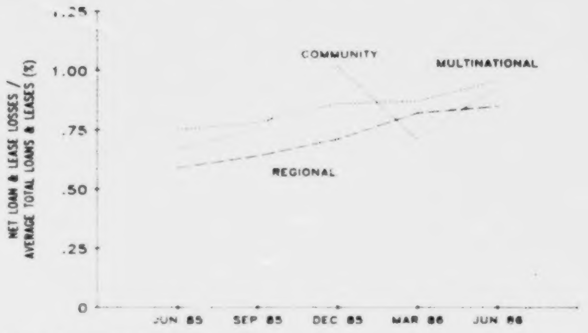
The multinational bank group posted large increases in noninterest revenue from both bond trading and foreign exchange trading commissions and fees. For regional and community national banks, gains were strongest in the areas of income from fiduciary activities and deposit service charges.

Persisting troubles in the real estate construction, agriculture, and energy sectors of the economy resulted in many national banks having to replenish and bolster loan loss reserves in amounts sufficient to cover relatively high loan write-offs and strengthen the existing reserve cushion. Provision expense in national banks escalated 41.6 percent in the first 6 months of 1986 compared to 1985. Weak oil prices and a glut of commercial office space caused problems for several regional banks, particularly those located in the Southwest. This bank group, which saw provision expense swell by 76.2 percent, accounted for over half the period-to-period dollar increase for all



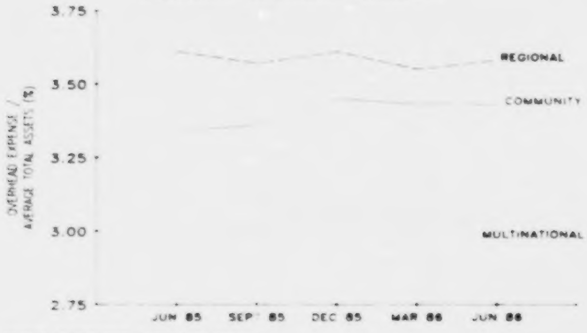
TOTAL CAPITAL HAS INCREASED DRAMATICALLY FOR THE MULTINATIONAL BANK GROUP...

SOURCE: SUPERVISORY INFORMATION DIVISION



NET LOAN & LEASE LOSSES CONTINUED TO INCREASE IN THE SECOND QUARTER OF 1986 FOR ALL THREE NATIONAL BANK GROUPS...

SOURCE: SUPERVISORY INFORMATION DIVISION



OVERHEAD EXPENSES AS OF THE SECOND QUARTER OF 1986 WERE ON AN UPWARD TREND IN THE REGIONAL NATIONAL BANKS...

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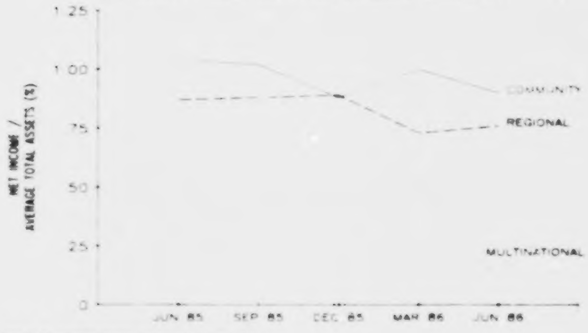


RETURN ON AVERAGE ASSETS DECLINED IN THE SECOND QUARTER OF 1986 IN THE COMMUNITY AND MULTINATIONAL BANKS...

SOURCE: SUPERVISORY INFORMATION DIVISION

national banks. In community national banks the growth in provision expense between 1985 and 1986 was 24.9 percent, and 25.4 percent in the multinationals.

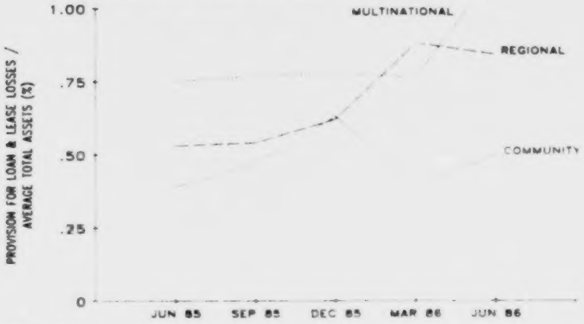
The return on average assets (ROA) decreased for all three national bank groups for the first half of 1986 when compared to the same period in 1985. Due primarily to the severe earnings problems experienced by two multinational banks, the ratio of net income to average assets for this group plummeted 31 basis points to 0.11 percent from June 1985 to June 1986. In regional banks the decline was 11 basis points to 0.76 percent. Although community banks remained the most profitable of the three bank groups in terms of ROA, these smaller national banks experienced another decline in this important performance yardstick — 14 basis points to 0.90 percent.

On June 30, 1986 consolidated total assets of the national banking system were $1.650 trillion. This reflected a 3-month growth rate of 1.5 percent for the second quarter. At quarter's end, multinational banks accounted for 34 percent of national bank total assets, regional banks 41 percent, and community banks 25 percent.

Loans and leases continued to comprise the majority of national bank assets, 62.6 percent on June 30, 1986. During the second quarter, gross loans and leases increased only 1.6 percent. The relatively weak growth rate mirrored the second-quarter slowdown in the economy. The growth that did occur was spurred primarily by the strength in the consumer sector. Growth was most pronounced in the regional national banks. For this bank group, gross loans and leases increased 3.2 percent in the second quarter. For community banks, the 3-month increase was 0.9 percent. In the multinational banks loan volume remained relatively unchanged, increasing only 0.2 percent during the period.

The volume of investment securities owned by national banks grew by 2.5 percent in the second quarter, and

PROVISION EXPENSE AS OF THE SECOND QUARTER OF 1986 ESCALATED IN THE COMMUNITY AND MULTINATIONAL BANKS...



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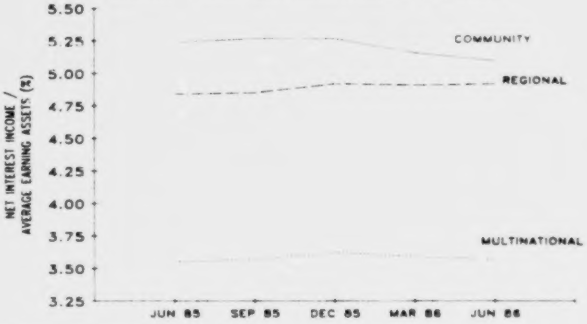
NET INTEREST MARGINS CONTINUED TO DECLINE IN THE SECOND QUARTER OF 1986 IN BOTH THE COMMUNITY AND MULTINATIONAL BANKS...



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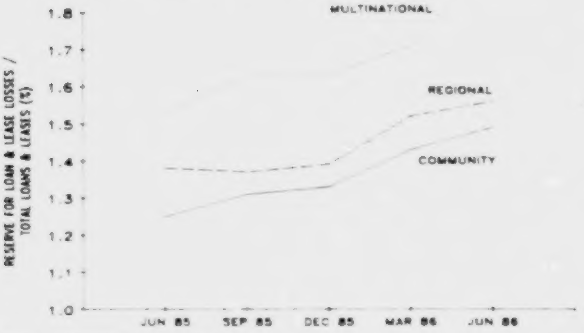
RESERVES FOR LOAN AND LEASE LOSSES HAVE BEEN INCREASED BY ALL THREE NATIONAL BANK GROUPS...



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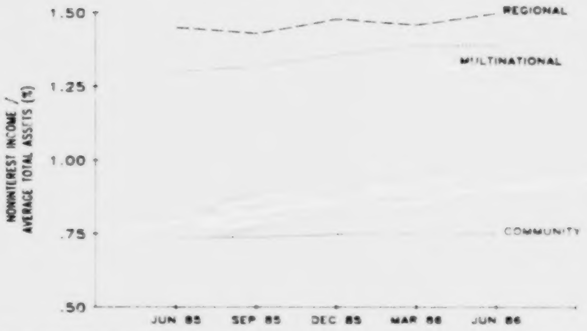
NONINTEREST INCOME INCREASED MOST DURING THE SECOND QUARTER OF 1986 IN THE LARGER NATIONAL BANKS...



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equalled 14.0 percent of national bank consolidated assets on June 30. The ownership of state, county and municipal securities (SCMs) declined by 3.4 percent while the amount of U.S. government issues booked increased by 4.8 percent. Portfolio growth was centered in bonds maturing in more than 1 year.

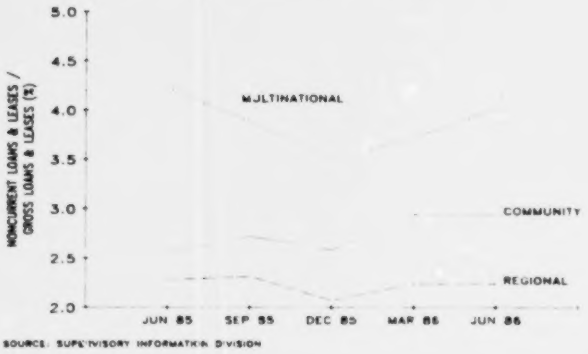
National bank consolidated total deposits increased 1.1 percent in the second quarter to $1.256 trillion. For all three national bank groups, the growth was centered in demand deposit accounts.

Net loan losses in the first half of 1986 in national banks swelled by 35.1 percent compared to those posted for the first 6 months of 1985. Regional banks accounted for over one-half of the increase. These national banks saw net charge-offs surge 59.8 percent between 1985 and 1986. Net write-offs in the community national banks climbed 27.7 percent, and 20.1 percent in the multinationals. Charge-offs were most severe in the energy and real estate portfolios of the regional banks and the consumer credit portfolios of the multinationals. Write-downs of farm loans continued to affect many community national banks.

Loans and leases in a noncurrent status in national banks grew by 3.2 percent in the April to June period. Over 80 percent of the increase occurred in loans and leases on which interest was no longer being accrued. In multinational banks, loans and leases in nonaccrual status or which were past due 90 days or more expanded 4.0 percent in the second quarter. Noncurrent loans increased 3.0 percent in the regionals and 2.0 percent in the community national banks.

In spite of escalating loan losses and increases in noncurrent loans, national banks continued to replenish their loss reserves in amounts sufficient to cover net charge-offs and bolster reserves as well. In the first 6 months of 1986, national banks increased their reserves maintained

NONCURRENT LOANS INCREASED MOST DURING THE SECOND QUARTER OF 1986 IN THE MULTINATIONAL BANKS...



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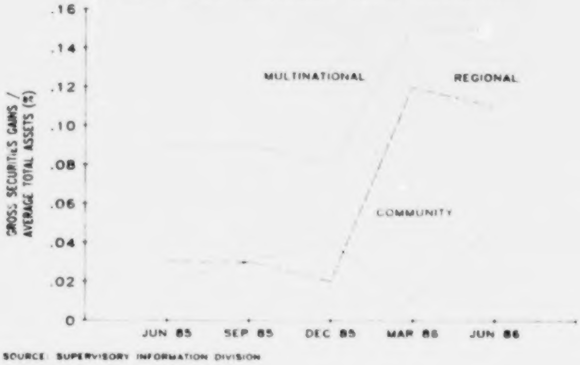
SECURITIES GAINS IN THE FIRST HALF OF 1986 WERE AN IMPORTANT SOURCE OF INCOME FOR ALL THREE NATIONAL BANK GROUPS...



SOURCE: SUPERVISORY INFORMATION DIVISION

for loan losses by $1.53 for every $1.00 charged-off. The result was a 3-month expansion of 7.2 percent in the allowance for loan and lease losses.

On June 30, 1986 total capital in national banks was $124.6 billion, an increase of 1.8 percent over the first quarter figure. In the period between March 31 and June 30, 1986, the ratio of total capital to average assets increased 45 basis points to 7.62 percent in the multinational banks. In the regional banks, the growth was 14 basis points to 7.62 percent. The second-quarter ratio for the community banks was 9.10 percent, a decline of 3 basis points.

In the first half of 1986, national banks retained less of their net earnings than they did for the same time period in 1985. The result was a rise in the ratio of cash dividends paid to net income. The 6-month dividend payout ratio for regional banks expanded 381 basis points to 53.20 percent as of June 30. For community banks the increase was somewhat less, 278 basis points to 41.96 percent. Skewed by the current year-to-date large losses posted by two of the multinationals, the ratio for this group of 11 banks skyrocketed from 56.18 percent as of June 30, 1985 to 71.82 percent for the 6-month period 1 year later.

On June 30, 1986 there were 1,137 national banks receiving special supervision due to financial, operating or compliance weaknesses. This was a 7 percent increase from March 31, 1986 and a 26 percent increase from June 30, 1985.

Although some national banks are suffering from the strains brought on as a result of troubles in particular sectors of the economy, the system as a whole remains viable and strong. Those national banks experiencing the greatest pressure on asset quality and earnings tend to be concentrated in two particular areas of the country — the Midwest and Southwest. Notwithstanding certain negative statistics, the majority of national banks are stable and healthy with adequate earnings and capital.

Woodrow W. Reagan
National Bank Examiner
Supervisory Information Division

Litigation Update

On September 26, 1986, the United States District Court for the Eastern District of Pennsylvania granted the OCC's motion for summary judgment, upholding the Comptroller's decision to allow a national bank to relocate its main branch across a state line. In *McEnteer v. Clarke*, which was reported in the previous issue (*Quarterly Journal*, Vol. 5, No. 3), the court held that 12 U.S.C. §30 means that main branches may relocate within a 30-mile radius, and that the Douglas Amendment, prohibiting interstate banking, does not come into play.

On July 18, 1986, the District Court for the District of Columbia ordered Security National Bank in Anchorage, Alaska, to comply with the "capital" article contained in a Consent Agreement between the Bank and the OCC. The Bank challenged the OCC's authority to issue capital directives. The case is strong precedent that "An Agreement Enforceable As An Order" is a valid and useful enforcement tool.

In another matter before the D.C. District Court, the OCC was ordered to comply with a subpoena duces tecum and to produce for litigants' use certain OCC Reports of Examination. At issue was whether the OCC properly denied a request for documents under the procedures set forth in 12 C.F.R. §4.19. The court, in ratifying the report and recommendations of a special master, concluded that in this instance, the request for documents should have been granted.

A federal court denied a motion for a temporary restraining order sought by directors of Rushville National Bank to enjoin an administrative hearing on assessing civil money penalties. The District Court for the District of Indiana ruled that it did not have the jurisdiction to grant the order. The court also held that the civil money penalties the OCC sought to assess are not the same type as those penalties prohibited by the *Larimore* case, which was reported in the previous issue (*Quarterly Journal*, Vol. 5, No. 3). The directors have indicated they will appeal the District Court's decision to the Seventh Circuit.

On November 3, 1986, the United States Supreme Court heard oral arguments on the issue of whether banks' discount brokerage activities can take place only at licensed branches. The Supreme Court decided to hear the branch issues in *Securities Industry Association v. Clarke*, but refused to review the ruling of the Court of Appeals for the District of Columbia Circuit in the same case, that national banks have the authority, under Glass-Steagall, to operate discount brokerage subsidiaries.

The first public hearing on the removal of a bank director concluded in mid-October in Ann Arbor, Michigan. The OCC is seeking to have Stanford C. Stoddard, former chairman of Michigan National Corporation, pay a $500,000 civil money penalty and to remove him permanently from the banking business. A decision in the case is not expected until January.

The United States Court of Appeals for the Eleventh Circuit affirmed on October 6, 1986, the legitimacy of so-called "nonbank banks" and upheld the Federal Reserve's approval of U.S. Trust Corporation's expansion of the activity of its wholly owned trust company subsidiary to include all the functions of a nonbank bank.

Eugene M. Katz
Director
Litigation Division

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Remarks by Robert L. Clarke, Comptroller of the Currency, before the Banking Law Institute's Bank and Savings & Loan Supervision, Enforcement and Compliance Conference, Washington, D.C., September 22, 1986

"A Bridge Over Troubled Water"

Today is an important anniversary in the history of American jurisprudence.

On September 22, 1780, Captain William Lynch immortalized his name with a proclamation. In it he stated that the citizens of Pittsylvania County, Virginia, had sustained "great and intolerable losses" at the hands of "lawless men and abandoned wretches." He and some fellow Pittsylvanians took it upon themselves to provide "such corporal punishment as shall seem adequate." Hangings inevitably followed, and hence the word "lynch" passed into the language. Virginia at that time was far from a lawless frontier. It had a well developed judiciary. But this judiciary, Lynch charged, had failed to mete out justice. The flaw, he argued, was that the judges used their discretion when what was called for was swift and sure execution of the law—as well as of those unfortunates who were perceived to be felons.

It's only human to wish for simplicity, certainty and order in the law. But in dynamic and complex societies, simplicity and certainty must sometimes give way to the unique facets of the case at hand. And some would argue that the mission of a lawyer is to find those unique facets that call for the use of judgment, rather than the automatic application of the law. By the same standard, it's only human to wish for simplicity, certainty and order in a system of regulation and supervision. Where the object of supervision is simple and not subject to sudden change—say, for the sake of argument, the financial services system a few decades ago—such a regulatory system is appropriate. But where the object of supervision is dynamic and complex—say, for the sake of argument, the financial services system TODAY—supervisors often find themselves in the position of Indiana Jones in the movie *Raiders of the Lost Ark*. When asked during a moment of crisis what he planned to do next, the hero replied: "I don't know. I'm making it up as I go along."

Even a quick glance through the program of this meeting would leave the impression that federal supervision of financial institutions isn't nearly as clear cut as it used to be just a few short years ago. From the responsibilities of directors to enforcement actions—from the need for capital requirements on off-balance-sheet items to aid for troubled institutions—uncertainty abounds. I happen to believe that some uncertainty isn't a bad thing. And I'm sure that if you think about it for a moment, you would agree. After all, uncertainty helps to keep you in clients. As a bank supervisor, I find that discretion—on a case-by-case basis—is one of the more valuable tools my colleagues and I have.

An article in the most recent *Harvard Business Review* titled "Bank Regulation Ain't Broke" describes why. The article, by Harrison Young, now of Pru-Bache, concludes: "bank regulation is an art. Like any artist, a regulator works within a tradition, needs flexibility, uses ambiguity. Like any politician—for balancing vigor, stability and fairness is a political challenge—performance should be judged by whether it works."

A little supervisory uncertainty helps keep everyone alert and more careful than might otherwise be the case. On the other hand, too much uncertainty can prompt people to jump to the wrong conclusion and that is the last thing that bank supervisors want.

Whenever bank supervisors make an important decision, we have to explain exactly what our motives were and what factors entered into our thinking. Otherwise, the signals we send might get crossed and we may create a mistaken impression.

Creating a mistaken impression—especially among those people who are inclined to see you as an adversary—is easy to do, as a Royal Air Force pilot who was shot down over Germany early in World War II found out. The pilot wound up in a German hospital. When he regained consciousness, the doctor who was fixing up the British flyer told him he would have to amputate his right leg to save his life. After the flyer recovered from the shock of the bad news, he asked to doctor if he would do him one favor. The doctor, being a compassionate man, said that he would try. The flyer said, "Would you give my leg to one of your friends in the Luftwaffe on the next run and have him drop it over England with a note: 'In service of my King'?" The doctor agreed, and it was done. A week later the doctor came in with the sad news that the other leg would have to be amputated also. The flyer naturally was upset but requested that the doctor please have one of the German flyers drop it over England with the label, "In service of my King." The doctor agreed, and it was done. A month later the doctor came in again and told the flyer he was sorry, but to save his life he would have to amputate his right hand. The patriotic English flyer started to make his usual request, but the doctor interrupted him and said, "I'm very sorry but I can't grant your request this time." The pilot asked, "Why not?" And the doctor replied: "The Gestapo thinks you're trying to escape."

There is no escaping the fact that bank supervision has become more and more a matter of supervisors using discretion or judgment. And we supervisors—if we want to ensure that the signals don't get mixed—cannot escape the necessity of explaining why we do what we do as it evolves.

Today I want to take a few minutes to describe what's going into our thinking as we proceed to evolve a policy on the use of Section 13(c) open-bank assistance for troubled banks.

For a few moments, please place yourselves in our shoes. We are facing new problems—problems bank supervisors haven't faced in decades, if ever at all. It's a truism that a bank reflects the local economy in which it operates. But being a truism doesn't make that statement any less true. If the bank is Citibank, that local economy is global. If the bank is a small institution in the Midwest doing business in a restrictive branching state, the local economy is very local, indeed.

I don't have to go into detail in explaining the strains the local economies in the center third of this country are experiencing from the agricultural, energy and real estate sectors—strains which even the clearest of crystal balls would have been hard pressed to predict. A news magazine several weeks ago described the situation concisely by dividing the country into a "soft" center sandwiched between two "gold" coasts. Most of the banks in the country—including some rather sizable institutions—are located in that "soft" center. And, it is no great surprise that the vast majority of the banks that have lost and that are losing money are in that "soft" center, too. These banks don't have to have heavy portfolio concentrations in agricultural, energy and real estate loans to be affected. And, indeed, many of them don't. The spillover effects from those troubled sectors wash over the local economies of the entire region. Furthermore, these sectoral strains are compounded by outside competitors drawing away some of the banks' best business and by management that often missed even limited opportunities to avoid problems by diversifying.

To those who would suggest that these banks are suffering from the effects of deregulation, I would point to the banks on the gold coasts and in the Southeast that are doing quite well. As many of you know, I have my own views concerning the role of deregulation as cause—or rather, as cure—of banking's profitability problems. In my view, further diversification is the only means to address the systemic profitability problems that is banking's most serious long-term challenge. In the long term, that challenge must be faced. But in the short term—today and tomorrow—the more urgent challenge Federal bank supervisors face is how to handle the troubled institutions we now have.

One of the ways open to us is the use of Section 13(c) of the Federal Deposit Insurance Act. As you know, Section 13(c) allows the Federal Deposit Insurance Corporation to provide assistance to keep a bank in operation when that is the least costly option available to the agency. It also provides the FDIC with a broad basis for considering the cost of disruption to the financial system. Under Section 13(c), the FDIC is authorized to make loans to failing banks or purchase assets from them. Until 1982, the section could only be used where the continued existence of a failing bank was "essential to its community." But what does "essential" mean? And how do you define "community?" As former FDIC chairman and director Irvine Sprague points out in his new book, *Bailout*, federal supervisors had to answer those questions. And some of the reasoning behind the use of the section under this "essentiality doctrine" would have quickened the heart of a dead law-school professor. One case involved a state-owned institution, and I quote Mr. Sprague: "the state was considered essential." Such were the mental gymnastics the section's use sometimes required before 1982, when the essentiality doctrine became an historical curiosity.

This year we've used 13(c) in two cases to aid banks in remaining open—without merging them into other institutions—where we found the assistance was both cost effective and where the stability of the system would benefit. Its use in those two cases represents a change in our way of thinking: we have come to see Section 13(c) as having a place in our supervisory tool chest as a useful alternative to our traditional ways of handling troubled institutions.

But even though we've come to look at 13(c) as an alternative, we're nowhere near considering it a substitute. "What's the difference?" you may ask. Well, spending your two-week summer vacation at home is an alternative to spending it in Europe, but it isn't a substitute. Faced with the choice, you wouldn't accept it as an alternative unless there is a compelling reason to do so—a compelling reason such as saving money.

By the same token, even though we have come to look at 13(c) as an alternative to our traditional means of handling troubled institutions, we won't use it unless there's a compelling reason to do so.

Today we are still working on the policy details surrounding 13(c) as an alternative: when we will consider open-bank assistance, what kinds of assistance we will consider and the possible terms of such aid. In the process, we are trying to factor in our new way of looking at bank failures. Technically, a bank fails when its chartering authority finds it insolvent and declares it failed. But through supervisory discretion, we have expanded that definition in practice to include cases where an institution stays open and serves the public after management has been replaced and stockholders have lost their stake in the venture.

We are also trying to come to grips with the question of the nature of FDIC funds. Are they government money? Or are they funds that the industry has contributed to insure the depositor? Are they funds that the industry has contributed to insure the stability of the banking system? What is in the best interest of the stability of the banking system—that these funds be used to clean up after the bank's doors are closed or to keep those doors open? In either case, isn't maintaining the sense of stability in the system the key question—the greatest compelling reason for any action?

Much of the future use of 13(c), I believe, will depend on how those questions are approached philosophically, and how they are answered.

Will we come up with an equivalent—either in writing or by understanding—that would, in effect, take the place of the old "essentiality doctrine?" Should that standard be explicit? Or should the matter be left open to supervisory discretion? Indeed, how much discretion can we leave ourselves in administering open-bank assistance? Too much and we are likely to be flooded by applications. Too little and we may find ourselves in a bind down the road when a totally unexpected crisis may arise.

At a minimum, I expect that the FDIC will be very tough in its selection process for assistance, as well as very tough in its demands in exchange for aid. I don't think we want to be in the position of writing a lot of checks to banks just to keep them propped up. But at the same time, I don't expect we will ever have a set of guidelines so precise that they will apply to every case.

On the FDIC board we have three people independent in our thinking: Bill Seidman, C.C. Hope and me. But in facing these hard choices, I believe we are all of one mind. And I think we all agree on several basic points in considering any type of 13(c) assistance:

One, it should provide the opportunity for substantial cost savings to the FDIC insurance fund when measured against the costs of using an alternative.

Two, it should be used only if, in taking an alternative approach, there is a risk of disruption to the market or markets the institution serves.

Three, the shareholders should have to give up a meaningful and significant interest in the institution, and perhaps all interest, if the case warrants it. These are the people who would profit from success, and there is no reason why they should not bear the cost of an institution's *de facto* failure. On the other hand, the case may not warrant the shareholders losing all interest, if a residual interest would promote a solution.

Four, the fundamentals must be present to assure us that the institution can survive and prosper. Among these fundamentals must be strong and capable management. If management is part of the problem of a troubled institution, it can't be part of the solution.

And, five, there must be an incentive created to turn the bank back to private control as quickly as possible. Of course, being lawyers you would probably ask me to define "incentive," "private control," "quickly" and "possible." I'm sorry I don't have all the answers today, but I've given you the answers I now have.

I see Section 13(c) as a bridge over troubled water, but there has to be something to bridge to. I see the perfect use of 13(c) as the FDIC providing assistance to a troubled bank selectively: the bank taking this second chance to mend itself, the FDIC ultimately getting paid back in full, with interest, and maybe with a little extra to compensate for the risk—a true investment banking-type solution. I've learned quickly not to expect perfection here. But that doesn't mean we cannot try to approach it. And, with the use of our discretion our guidelines on 13(c) will ultimately point us in that direction, if we don't get excited and lose our heads.

In the late 1920s, right before France abandoned the use of the guillotine, three men were sentenced to go under the blade on the same morning. One was English, one was French, and one was a graduate of Texas Agricultural and Mechanical University, an Aggie. The morning soon came when the men were led to their execution. The Englishman was chosen to go first. As he stepped to the platform, the executioner asked him if he had any last words. "God save the King," he declared. The executioner put him into the guillotine and pulled the rope. The blade fell about three inches—and stopped. The executioner exclaimed: "It's divine intervention" and released the Englishman, who disappeared into the crowd. The Frenchman was next. The executioner asked him if he had any last words. "Vive la France" the man cried as he stepped onto the platform. The executioner put him into the guillotine, pulled the rope, and the blade fell about three inches—and stopped. The executioner exclaimed "It's divine intervention" and released the Frenchman, who disappeared into the crowd. Turning to the Aggie, the executioner asked: "Do you have any last words?" And the Aggie replied: "If you boys put some WD-40 on that thing it wouldn't stick."

I've always said that the moral of that story is that it takes a Texan to get to the heart of a problem.

But perhaps it also helps illustrate that what bank supervision is all about is keeping people from losing their heads. Section 13(c) and our guidelines—used with discretion, and with judgment—hold great promise in helping all of use keep our wits about us under pressure.

Remarks by Robert L. Clarke, Comptroller of the Currency, before the American Bankers Association's Chief Financial Officers Forum, Washington, D.C., September 24, 1986

"Risk-Based Capital: A Fitting Proposal"

Not too long ago, my teenage son, Logan, needed to buy a navy blue suit to wear for a class photo at his school. Unfortunately, he didn't get around to shopping for the suit until the day before the event was to take place. Because tailors these days are as tightly scheduled as *Fortune* 500 CEOs, alterations were out of the question. He had no choice but to go to a department store—where he figured the inventory of blue suits was the largest—and to pick a suit off the rack while hoping for the best. He explained his situation to the salesman at the store, who proved to be sympathetic, as most salesmen are. After trying on suits for an hour, he hit upon the one in the store that approximated his fit the closest. True, the left sleeve was too long, the left pants leg was too short and the right shoulder was lower than the left. But standing in front of the triple mirror in the fitting room, Logan found that if he leaned about thirty degrees to the left, the suit would look O.K. for the photo. Wearing the suit, he was walking to class the next day when he passed two of his teachers. He then overheard one of them say: "Logan must have been in an accident; look at the way he's limping." And the other replied: "It can't be too bad, he's not using crutches. Did you see how nicely his blue suit fit?"

Over the years, one of the more frequent complaints bankers have made—one that I myself made about bank supervisors and that I have heard from the industry since I became one—has been the use of the "off-the-rack" approach to regulation. Why, bankers have asked, must regulation be designed in only one standard model? Why, they have asked, can't regulation be tailored to take into account differences in institutions?

I think those are legitimate questions. Much regulation is aimed at problems that affect only one segment of the industry—a segment defined by an institution's organization, location or, as we are seeing more and more, business orientation. Why can't we tailor the regulation to fit the problem? I believe we can—and should. At the OCC, one example of that approach is a proposed regulation that would affect all of you as chief financial officers: our proposal for risk-based capital standards. And while we have made no final decisions on that proposal, I'd like to give you some insight into how we are looking at this approach to the measurement of capital adequacy and some of the issues it has raised.

Today, as you know, all of the three federal bank supervisors follow the "one-size-fits-all" approach to the minimum capital standard we require. Regardless of the mix of liquid and illiquid assets a bank holds . . . regardless of the mix of high risk and low risk assets . . . the same minimum capital standard is required.

Generally, banks must hold primary capital equal to at least 5.5 percent of total assets, and total capital equal to at least 6 percent of total assets. This present standard was adopted in an effort to provide more predictable minimum guidelines that would apply to all banks. We can, however, require banks to hold capital in excess of these minimums, and we do on a case-by-case basis if we believe the situation warrants it. While our present way of doing things allows us to raise capital minimums for banks we think have more than the usual amount of risk in their portfolios, it doesn't provide a systematic means to do so. Nor does it encourage banks to pay more attention to their portfolio mixes—price them according to risk—and hold high quality, liquid assets.

In addition, the current standard probably has had unintended side effects. By requiring a fixed, uniform capital-to-assets ratio, we may have prompted banks to hold riskier, albeit higher yielding, assets and to shift more of their activities off the balance sheet. The proportion of bank assets held as cash and U.S. government securities declined from 29 percent in 1976 to 18 percent in 1985.

This trend is not totally attributable to current capital requirements, but clearly they appear to have had an effect. Clearly, some banks have expanded their off-balance-sheet activities rapidly. At our largest bank, standby letters of credit rose $18 billion last year—from $114 billion at the end of 1984 to $132 billion at year-end 1985—that's more than 15 percent. Loan commitments, which amount to over one-third of total assets at large banks, grew 12 percent in the two years this data has been reported. That's twice the growth rate of on-balance sheet assets during the same period. Since the present capital ratios are sensitive only to the level of booked assets, they are unaffected by increases in the level of these off-balance-sheet activities.

Again, these trends are not totally attributable to current capital requirements. They also result in part from banks looking for ways to replace income lost in eroding lending markets—in other words, from a driving need for fee income. But clearly our current capital requirements have had an effect in fostering off-balance-sheet transactions—and thus creating risks to the system.

Much of the discussion of our proposal in the industry, in the trade press and elsewhere has focused on the problems the proposal is aimed at addressing: raising capital standards to match risk and reflecting these off-balance sheet activities in required capital. What hasn't been stressed nearly enough is the other side of the effort: the current ratio would be replaced by one that compares capital to assets and off-balance-sheet items weighted according to their credit risks. By reducing capital requirements for many less risky assets, our proposal could permit banks with low risk portfolios to operate with less capital than would be required under the present standard, thus enhancing their profitability. In other words, our proposal would tailor capital regulation to fit the type of business operation in which a bank chooses to engage.

If a bank chooses to hold a greater mix of high quality, liquid bank assets—relatively low or risk-free assets—its capital requirements would be lower. If a bank chooses to hold riskier assets, its capital requirements would be higher. Thus, the risk-based ratio we have proposed would recognize that thousands of banks throughout the country prefer to hold high-quality, liquid assets and it would encourage them to continue to do so.

At the same time, it recognizes that other banks try to augment earnings by shifting to higher-yielding, less liquid, and riskier assets, as well as off-balance-sheet items, to meet competitive pressures. Where that is the case, required capital would reflect some of the risk inherent in these banks' activities—but in no sense is the proposal intended to penalize them for those activities.

As you can imagine, this proposal has raised many questions, both philosophical and technical, among bankers and within the supervisory agencies. Should bank supervisors be in the business of trying to rank risks? Isn't risk management what bankers—not supervisors—are for? Should we try to determine the relative riskiness of different kinds of commercial loans? Do supervisors have the technical ability to do so? Is the technical method we propose feasible or should we try to find a more appropriate methodology?

And then there are real nitty-gritty questions, such as: should the reserve for loan losses continue to be included in capital? When growing loan loss reserves are included in capital, don't they give the illusion of growing strength when they are actually a reflection of perceived weakness? We're not close to an answer on that question yet, and I'd welcome your thoughts as to how it should be answered.

These are all difficult questions. But the heart of the matter—technicalities aside—is that bank supervisors have long been in the business of assessing portfolio risk. While it is the job of bankers to manage risk, it is the job of supervisors to manage the safety and soundness of the banking system. This proposal would help us do that. And while the proposal may not be perfect—no one has argued that it is—it appears to us to be a substantial improvement over our current "one-size-fits-all" approach.

For many decades, banking was marked by a degree of uniformity rarely found in other industries. It might be said that twenty-five years ago the major division in the industry was between state-chartered and federally chartered institutions. Regulatory barriers were high. Competition was low. And bankers everywhere did pretty much the same thing.

In those days a single type of regulation could be made to fit all—with a little stretching—and a bit of leaning—here and there.

Today some banks seek to become major players on Wall Street . . . while others seek to be the full-financial-service center on Main Street . . . while still others thrive in the secure niche they have always known. Bank supervision cannot ignore this growing diversity.

Our risk-based capital proposal addresses it—as I am sure other supervisory developments in the future will address it. Depending on whether you benefit from a more tailored supervisory approach, some of you will consider that a promise and others, I'm sure, will consider it a threat. But all of you, I hope, will recognize it as an attempt by bank supervisors to be responsive.

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364—July 9, 1986

This is in response to your letter of March 26, 1986, in which you raised several questions concerning balloon auto loans. You asked:

1. Whether a bank can make a balloon auto loan, *i.e.*, a loan in which the principal is amortized to a projected residual value of the vehicle at the end of the term (a "conventional balloon").
2. Whether a bank can make such a loan with the added feature that the borrower has the option to resell the vehicle to the financing institution at the end of the term for the projected residual value (a "repurchase balloon").
3. If the answer to question two is "yes," whether our interpretive ruling on leasing, 12 C.F.R. § 7.3400, would be applicable to such loans, since they resemble closed-end leases.

In my opinion, it is permissible for national banks to make either conventional or repurchase balloon loans pursuant to the general authority granted by 12 U.S.C. § 24 (Seventh) to make loans on personal security. It is my further conclusion that 12 C.F.R. § 7.3400 is not applicable to such loans.

Both the conventional and repurchase balloons are balloon payment installment loans with the final balloon payment equal to the residual value of the financed automobile. This type of financing may be done either by direct loan from the bank or indirectly by the purchase of dealer paper.

As you note in your letter, the conventional balloon is similar to an open-end lease where the customer is responsible for paying off the balloon obligation regardless of the value of the vehicle. Unlike the lease, the customer owns the vehicle from the beginning and does not have the option to return it to the financing institution. Similarly, the institution has no responsibility to dispose of the vehicle as it does in an open-end lease when its vehicle is returned. However, the customer's responsibility for the residual value amount is the same in both transactions.

Upon maturity of the conventional balloon loan, the borrower has several options:

1. The borrower may make the balloon payment and keep the vehicle.
2. The vehicle may be traded in to a dealer and the proceeds used to pay off the loan.
3. The vehicle may be sold directly and the loan paid off.
4. The loan may be refinanced at the bank in accordance with applicable federal and state law.

In the repurchase balloon loan, the borrower has the option of returning the automobile to the bank in lieu of making the final payment. In effect, the bank "repurchases" the vehicle. The repurchase balloon is similar to a closed-end lease where the customer has no responsibility at expiration of the term and the bank is at risk for any residual deficiency. This risk is for market fluctuations and does not include excessive use or unwarranted abuse of the vehicle. The customer remains responsible for any excess mileage above contractually defined limits and for excessive wear and tear. In the repurchase balloon loan, the customer retains the right to any excess vehicle value above the residual balloon obligation. Presumably the customer will not often exercise the option to have the bank repurchase the vehicle at the residual price if it can be sold for more in the wholesale market. In most closed-end leases, to protect the tax benefits, most institutions do not give the customer a purchase option at the residual value. Rather, the purchase option price is usually stated as the greater of fair market value (wholesale or retail) or the residual value. Thus, the repurchase balloon loan has the same residual deficiency risks as the closed-end lease without the usual attendant benefits of any realized value surplus above the projected residual.

Your first two questions are whether national banks have the power to make either conventional or repurchase balloon loans. With regard to the conventional balloon, the powers given to national banks in the seventh paragraph of 12 U.S.C. § 24 include the express authority to loan money on personal security. Neither the statute nor the Comptroller's regulations or interpretive rulings place any restrictions upon loans secured by personal property which contain balloon payment clauses. It is therefore my view that a national bank may make a loan secured by personal property, the terms of which provide for a balloon payment at maturity. There are therefore no legal impediments to those parts of the transaction whereby the customer either trades, sells, or refinances the car and pays off the obligation.

I also believe that the option to return the automobile to the bank in lieu of the final balloon payment is permissible. There is little difference between the repurchase option as discussed above and a "normal" loan where the collateral can be repossessed in the event of default. In addition, it would be anomalous to conclude that banks cannot make repurchase balloon loans but can own vehicles to be used for closed-end leases, when the two transactions are functionally equivalent.

There are safety and soundness considerations which should be borne in mind, however. The lending bank must rely primarily on the creditworthiness of the borrower rather than the projected residual value of the auto when entering into the transaction. This is to ensure that the bank restricts its activities to lending and does not become involved in the business of selling automobiles. For similar reasons, repurchase balloon loans should be structured so that most borrowers will be unlikely to exercise the repurchase option.

Your third question is whether the interpretive ruling on the leasing of personal property, 12 C.F.R. § 7.3400, is applicable to repurchase balloon loans. You are specifically interested in knowing whether the requirement of residual value insurance for leases, contained in 12 C.F.R. § 7.3400, also applies to repurchase balloon loans. In my opinion, it does not.

The Comptroller approved leasing of personal property by national banks in 1963. In doing so it was considered necessary to place certain restrictions on lease transactions in order to promote safety and soundness and to retain the distinction between banking and commerce which has traditionally been maintained under the National Bank Act. These restrictions are embodied in our Interpretive Ruling 7.3400, 12 C.F.R. § 7.3400. One of these limitations, found at 12 C.F.R. § 7.3400(b)(2)(iii), is that the lessor bank must obtain residual value insurance if the estimated residual value of the property at the end of the lease term will exceed 25 percent of the original cost.

Residual value insurance insures the estimated value of the auto at the maturity of the loan. Since the repurchase balloon customer has retained ownership of the vehicle with the lender shown as lienholder, the customer will be likely to return to vehicle to the lender only if the vehicle cannot be sold for the projected residual value. Should a customer return a vehicle to the lender in lieu of the final payment and should there be a shortfall between what the vehicle can be sold for and the projected residual value, the lender has a claim with the insurance company. For example, with a residual value of $5,500, should the vehicle be returned, presumably within the mileage restrictions, with no physical damage and in salable condition, the lender's obligation is to obtain one bid from a dealer of the like kind. Assuming a bid of $4,500, the lender would have a $1,000 claim with the insurance company. In turn, the insurance company has the following options:

1. The insurance company can instruct the lender to sell the vehicle for $4,500 and pay the $1,000 claim.
2. The insurance company can pay the lender $5,500 and take title to the vehicle.

The rationale for approving the leasing of personal property was that such transactions closely resemble loans which, of course, are expressly permissible. In the present case we have loans which closely resemble leases. Nevertheless, they are still loans, and even though balloon loans and leases may be functionally equivalent, the legal consequences are different. For instance, legal title to the subject automobile is different. The tax consequences of loans and leases are different depending upon which party has ownership of the vehicle, as you pointed out in your letter.

This Office issued an interpretive ruling on the leasing of personal property because such leasing is not one of the powers expressly granted to national banks by 12 U.S.C. § 24 (Seventh). Lending money secured by personal property, on the other hand, is an expressly authorized power of a national bank. The Office has not chosen to adopt restrictions on secured loans similar to those imposed on leases.

For these reasons, I conclude that it would not be appropriate to apply Interpretive Ruling 7.3400, 12 C.F.R. § 7.3400, to balloon auto loans, and I do not believe that residual value insurance is required in such loans as a matter of law. Banks should exercise their sound business judgment, weighing the cost of such insurance against the benefits of protection, in deciding whether or not to obtain it. There may, however, be circumstances when residual value insurance would be deemed to be necessary as a matter of safe and sound banking practice, *e.g.*, where a bank is engaged in a very large volume of repurchase balloon loans.

I hope that this has been responsive to your inquiry.

Peter Liebesman
Assistant Director
Legal Advisory Services Division

* * *

365—August 11, 1986

Mr. Richard S. Brennan
Executive Vice President
Continental Illinois Bank and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60697

Dear Mr. Brennan:

This is in response to your letter of November 22, 1985, in which you notified this Office of the intent of Continental Illinois National Bank and Trust Company of Chicago (Bank) to establish *de novo* a wholly owned subsidiary to be known as "Continental Futures & Options Corporation" (the Subsidiary). The Subsidiary will register as a futures commission merchant (FCM) under the Commodity Exchange Act, as amended (7 U.S.C. Sections 1-24).

From your follow-up letter of June 27, 1986, and a telephone communication on July 16, 1986, between Mr. Keith Abrams and one of our attorneys, we understand that the activities of the Subsidiary will consist of the solicitation and acceptance of orders for the purchase and sale of financial futures and financial futures options. The Subsidiary will act on behalf of both affiliated and non-affiliated parties and will not engage in any cash, forward or futures transactions for its own account.

The financial futures and financial futures options contracts in which the Subsidiary intends to do business will include, but not be limited to, U.S. Treasury Bond Futures, U.S. Treasury Note Futures, U.S. Treasury Bill Futures, options on these U.S. Treasury Futures, Municipal Bond Futures, and certificate of deposit futures. Additionally, the Subsidiary will buy and sell foreign currency futures and futures on stock indices and options on these futures.

The domestically regulated contract markets for which the Subsidiary proposes to solicit and accept orders would include, but would not be limited to, The Board of Trade of the City of Chicago (CBOT), The MidAmerica Commodity Exchange (MACE) (an affiliate of the CBOT), The Chicago Mercantile Exchange (CME), the International Monetary Market (IMM) (an affiliate of the CME), and/or the New York Futures Exchange (NYFE). The Subsidiary does not initially propose to become a corporate member or clearing member of any of the various contract markets.

The Subsidiary presently intends to approach large corporations and institutions including current customers of the Bank. The Subsidiary intends to offer to these corporations and institutions services which would normally be provided by an FCM, including, but not limited to, technical analysis, strategy development research, and communications and operations advice.

The Subsidiary also intends to act as agent on behalf of its affiliates. In this capacity, the Subsidiary proposes to accept and place orders relating to all permissible types of financial and currency contracts outlined above. The Subsidiary will not, however, accept orders relating to futures contracts on stock indices and options on such futures contracts from the Bank.

It is anticipated that the Subsidiary will employ a marketing and research staff. It is also anticipated that the Subsidiary will execute futures and options contracts through service agreements with Continental Illinois Corporation Financial Futures (CICFF), a wholly owned subsidiary of Continental Illinois Corporation, the Bank's holding company. The Subsidiary will rely on existing CICFF relationships and operations to support its customer activities.

The Subsidiary will comply with all applicable regulatory requirements of the Commodity Futures Trading Commission, as set forth in the Commodity Exchange Act, as well as all applicable contract market regulations with respect to issues such as, but not limited to, registration and qualification, financial responsibility, reporting, recordkeeping, segregation of customer accounts and resolution of customer claims. All persons associated with the Subsidiary in a sales or supervisory capacity will register with the National Futures Association as associated persons, and as a qualification thereof, will have passed appropriate examinations which test their knowledge of the various contracts and contract markets.

Based on the information you have provided us and this Office's existing opinions, we have no objection to the Bank's plan to establish the Subsidiary as a registered FCM which also offers investment advisory services. On a number of occasions, we have permitted operating subsidiaries of national banks to function as FCMs pursuant to the incidental powers clause of 12 U.S.C. § 24 (Seventh). *See, e.g.*, Interpretive Letter No. 357, February 26, 1986, Fed. Banking Law Rep. (CCH) ¶ 85,527; Interpretive Letter No. 356, January 7, 1986, id. ¶ 85,526; Letter of April 7, 1982, to a national bank, signed by William Longbrake, then Acting Senior Deputy Comptroller for Policy, in the files of Investment Securities Division; Letter of July 23, 1982, to a national bank signed by Ballard C. Gilmore, Manager, Operations and Procedures, files of Bank Organization and Structure; Letter of January 26, 1984, to a national bank signed by Michael Patriarca, Deputy Comptroller for Multinational Banking.

In Interpretive Letter No. 357, the Office permitted a national bank subsidiary, already functioning as an FCM, to expand its activities to include the purchase and sale of options on financial instruments and options on contracts for future delivery of financial instruments as agent for its customers. The letter reaffirms our position that the purchase and sale of financial futures is an integral adjunct to banks' expressly authorized investment, trading and brokerage activities with respect to the underlying financial instruments. The purchase and sale of options on financial instruments is an activity incidental to banking pursuant to the same rationale.

Your notification indicates that the Subsidiary will also offer investment advice with respect to customer purchases and sales of financial futures and options on financial futures. Providing investment advice has traditionally been recognized as a banking service. *See, e.g.*, Decision of the Comptroller of the Currency Concerning an Application by American National Bank of Austin, Texas, to Establish an Operating Subsidiary to Provide Investment Advice, [Transfer Binder 1983-84] Fed. Banking L. Rep. (CCH) ¶ 99,732; *United States v. Philadelphia National Bank*, 374 U.S. 321, 326–27 n.5 (1963); *United States v. Idaho First National Bank*, 315 F. Supp. 261, 273–74 (D. Id. 1970); *United States v. First National Bank of Maryland*, 310 F.

Supp. 157, 163 n.7, 173 (D. Md. 1970); *United States v. Third National Bank of Nashville,* [1968] Trade Cases (CCH) ¶ 72,556 (M.D. Tenn. 1968). It is our opinion that the subsidiary's provision of investment advice to customers buying and selling such instruments is incidental to the bank's power to buy and sell the underlying instruments for the account of its customers. *See also Arnold Tours, Inc. v. Camp,* 472 F.2d 427, 432 (1st Cir. 1972), in which the court found that to be a permissible incidental activity, an activity need not be indispensable, but merely "convenient and useful in connection with the performance of one of the bank's established activities . . ."

I trust that this reply is responsive to your notification.

Michael Patriarca
Deputy Comptroller
for Multinational Banking

* * *

366—August 18, 1986

Mr. T. Dalrymple
Assistant Vice President & Assistant Secretary
United States National Bank of Oregon
P.O. Box 4412
Portland, Oregon 97208

Dear Mr. Dalrymple:

This is in response to your request to establish *de novo* an operating subsidiary, pursuant to 12 C.F.R. § 5.34, to act as agent in the sale of general insurance under 12 U.S.C. § 92. The subsidiary will be wholly owned by the United States National Bank of Oregon (Bank), Portland, Oregon. It intends to sell a full range of insurance products to customers of the Bank and others from an office at the Bank's branch locations in Banks, Oregon, a town with a population of under 5,000. The Bank has represented that the insurance activities will be conducted in reliance on 12 U.S.C. § 92 and an opinion letter of December 1, 1983, from Debra A. Chong, Senior Attorney, Western District.

On October 24, 1984, the Office extended the period for review of the Bank's operating subsidiary notification in order to reassess the position taken by Ms. Chong regarding the permissible market area for the sale of insurance under 12 U.S.C. § 92. Based on our analysis of the relevant legal precedent, we have concluded that Ms. Chong correctly determined that a national bank or its branch which is located in a place of 5,000 or under population may sell insurance to existing and potential customers located anywhere. In other words, while the bank or bank branch must be located in a small town, it can sell insurance to persons and businesses located outside that town. Accordingly, the Bank may establish the proposed operating subsidiary at its branch location in Banks, Oregon, in order to market insurance to existing and potential customers regardless of where the insurance customers are located. However, this opinion does not authorize the sale of broad forms of insurance from bank or branch locations in towns of over 5,000 population. A full discussion follows.

It is clear from the plain language of 12 U.S.C. § 92 that a national bank located and doing business in a place with a population of 5,000 or under may act as agent for an insurance company offering a full range of insurance products. The bank is not limited to selling insurance which is incidental to banking under 12 U.S.C. § 24 (7).

The Office has determined further that a bank with a branch located in a place whose population does not exceed 5,000 can act as agent from the branch office even though the bank is in a place of over 5,000 population.[1] In addition, the Office has authorized national banks to establish operating subsidiaries to act as agent in the sale of insurance under section 92 from a bank's main office or branch location, whichever is located in a town of 5,000 or less.

In analyzing whether the market area for the sale of insurance is restricted geographically, the language of the statute first must be examined. Section 92 provides in pertinent part:

> In addition to the powers now vested by law in national banking associations organized under the laws of the United States any such association located and doing business in any place the population of which does not exceed five thousand inhabitants . . . may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the agent for any fire, life, or other insurance company authorized by the authorities of the State in which such bank is located to do business in said State, by soliciting and selling insurance and collecting premiums on policies issued by such company . . . (12 U.S.C. § 92.)

Clearly the statute permits a national bank to act as agent for an insurance company authorized to do business in the state (in your case, Oregon). The statute is silent as to whether the bank can sell insurance as agent for that company to persons and businesses located in different states. It is reasonable to conclude that the bank can sell to such customers provided the insurance company whose policies it is selling is authorized to do business in those states.

It is pertinent to note in this regard that section 92, as originally enacted in 1916, included authority for national banks to act as brokers or agents for others in making or procuring loans on real estate.[2] This authority was limited to real estate located within one hundred miles of where the bank was located. The imposition of such a geographic limitation in the statute with regard to the bank's brokerage of real estate loans and the absence of such a limitation on its insurance activities indicates, under the rule of statutory construction, congressional intent not to limit geographically a bank's market area for its insurance products.[3]

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[1] *See* 12 C.F.R. § 7.7100.

The legislative history of section 92 does not directly address geographic limitations on the insurance agency marketing activities of national banks. Indeed, we are not aware of any substantive comments on section 92 by members of Congress.

The only guidance available regarding legislative intent, therefore, is a 1916 letter to the Senate Banking and Currency Committee from the then Comptroller of the Currency, John Skelton Williams, recommending enactment of section 92.[4] Although not discussing the geographic scope of his proposal, the letter does present the Comptroller's reasons for suggesting that Congress adopt the insurance provisions of section 92.

From the letter and from court opinions which discuss the purpose of the statute, it appears that the primary reason for enacting section 92 was to provide additional income to banks in small towns that were having problems deriving a reasonable profit from their banking business.[5] An additional concern raised by the Comptroller was the need to make insurance coverage available to the local population.

Therefore, based on what appears to be the main purpose behind enactment of the insurance provision in section 92, it is consistent with that purpose to allow a national bank to sell insurance to customers residing outside the particular small town where its selling main office or branch is located. It may be the case that the market area for the general banking services of some small town banks may not be large enough to improve significantly that bank's profitability if its insurance sales are limited to that area.

It should be noted also that although the Comptroller has authority to regulate under section 92, he has never imposed geographic limits on the insurance activities of national banks in small towns through regulation or interpretive ruling. Furthermore, we are not aware of any Oregon law that would impose geographic restrictions *per se* on a national bank's insurance agency activities either within or outside the state.[6]

In summary, 12 U.S.C. § 92 permits the Bank at its operating subsidiary in Banks, Oregon, to sell insurance as agent to existing and potential customers regardless of where the insurance customers are located. The only limitation in this regard is that the Bank could not sell insurance for a company to customers located in a state where the insurance company is not authorized to do business.

Judith A. Walter
Senior Deputy Comptroller
for National Operations

* * *

367—August 19, 1986

Robert W. Maggs, Jr.
Senior Vice President and General Counsel
Chase Lincoln First Bank, N.A.
One Lincoln First Square
Rochester, New York 14643

Dear Mr. Maggs:

This is in response to your letter of April 11, 1986, referred to us by Deputy Comptroller Taylor of the Northeastern District for reply. Chase Lincoln First Bank, N.A. (the Bank) proposes to establish a wholly owned subsidiary named Financial Directions, Inc. (the Investment Advisory Subsidiary) to engage in the business of providing investment advisory services.

The Investment Advisory Subsidiary will provide individualized financial planning for its customers. Automatic computer tools as well as manual calculations will be used to produce the financial plans. The customers will pay a fee for the services. The individual financial plan will produce general recommendations for the customer and may specify particular securities for purchase. For example, a customer may be advised to consolidate loans, purchase a certain amount of insurance, invest a certain amount in mutual funds and to open an individual retirement account.

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[2] Prior to being amended by the Garn-St Germain Depository Institutions Act of 1982, P.L. 97-320, 12 U.S.C. § 92 read as follows, in relevant part—

> . . . and may also act as broker or agent for others in making or procuring loans on real estate located within one hundred miles of the place in which said bank is located, receiving for such services a reasonable fee or commission . . .

[3] *See* C. Sands, 2A Sutherland Statutory Construction § 47.23 (4th ed. 1984) (discussing the maxim of "expressio unius est exclusio alterius"); *see also id.* § 51.02 (omission of provision in similar statute significant to show different intent).

[4] Since the Comptroller was, in essence, the sponsor of the legislation and his recommendations were adopted largely unaltered, his views are considered valuable as an interpretive aid. *See* C. Sands, 2A Sutherland Statutory Construction § 48.11 (4th ed. 1984).

[5] *See* 53 Cong. Rec. 11001 (1916) (letter from Comptroller Williams recommending enlarging the powers of small national banks to "provide them with additional sources of revenue"); *see also, e.g., Saxon v. Georgia Association of Independent Insurance Agents*, 399 F.2d 1010 (5th Cir. 1968).

[6] *See, e.g., Group Life & Health Ins. Co. v. Royal Drug Co.*, 440 U.S. 205 (1979) (Federal law applies if state has not enacted any law to regulate business of insurance which would be invalidated, impaired, or superseded by application of Federal law); *Aetna Life Ins. Co. v. Washington Life & Disability Insurance Guaranty Ass'n*, 520 F.2d 162 (Wash. 1974) (state regulation lacks extraterritorial effect).

The Investment Advisory Subsidiary's activities will be conducted only at the Bank's main office or previously approved branch offices.

In a telephone conversation subsequent to your letter you verified that the Bank has authority to act as a fiduciary pursuant to 12 U.S.C. § 92a. The Bank has been providing similar services to trust and non-trust customers through its trust department. Upon transfer of these functions to the proposed Investment Advisory Subsidiary, they will be administered by employees who will report through, but not be part of, the Bank's trust department.

On October 31, 1985, the Bank notified our office of its intention to establish an operating subsidiary to engage in the discount brokerage business under the name Chase Lincoln First Brokerage Services, Inc. (the Brokerage Subsidiary). The Brokerage Subsidiary provides no investment advice in connection with the purchase and sale of securities.

The proposed Investment Advisory Subsidiary and the Brokerage Subsidiary will operate as separate corporations with different boards of directors. They will utilize separate office space and different phone numbers. There will be no sharing of employees between the two subsidiaries. There may be some referrals from one subsidiary to the other, but customers of one will be free not to use the services of the other. There will be no sharing of fees or commissions between the two subsidiaries.

The Investment Advisory Subsidiary will be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. It will also register with the New York State Department of Law pursuant to applicable state securities laws.

It is our opinion that the provision of investment advice is incidental to banking pursuant to 12 U.S.C. §§ 24(7) and 92a. *See, e.g.*, Comptroller Staff Interpretive Letter No. 298, [Current] Fed. Banking L. Rep. (CCH) ¶ 85,468, and citations therein; Decision of the Comptroller of the Currency Concerning an Application by American National Bank of Austin, Texas, to Establish an Operating Subsidiary to Provide Investment Advice, [Transfer Binder 1983-84] Fed. Banking L. Rep. (CCH) ¶ 99,732. *See also United States v. Philadelphia National Bank*, 374 U.S. 321, 326–27 n.5 (1963); *United States v. Idaho First National Bank*, 315 F. Supp. 261, 273–74 (D. Id. 1970); *United States v. First National Bank of Maryland*, 310 F. Supp. 157, 163 n.7, 173 (D. Md. 1970); *United States v. Third National Bank in Nashville*, [1968] Trade Cases (CCH) ¶ 72,556 (M.D. Tenn. 1968). Accordingly, you may go forward with your proposal.

Please also note that if the United States Supreme Court affirms the holding of *Securities Industry Association v. Comptroller of the Currency*, 577 F. Supp. 252 (D.D.C. 1983), *aff'd per curiam* 758 F.2d 739 (D.C. Cir. 1985), on the branching question posed in that case, it may be necessary for the Investment Advisory Subsidiary to restrict its operations to the Bank's main office or branch locations.

Judith A. Walter
Senior Deputy Comptroller
for National Operations

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Mergers—July 1 to September 30, 1986

Mergers consummated involving two or more operating banks.

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July 1, 1986
Heritage Bank National Association, Cherry Hill Township, New Jersey
Midlantic National Bank/South, Haddonfield, New Jersey
Merger 25

July 1, 1986
Midlantic National Bank/Merchants, Neptune Township, New Jersey
Midlantic National Bank/Cranbury, Cranbury, New Jersey
Merger 25

July 11, 1986
American National Bank of Arizona, Scottsdale, Arizona
Two Branches of The Grand Canyon State Bank, Gilbert, Arizona
Purchase 25

July 14, 1986
The First National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma
First Interstate Bank of Oklahoma City, National Association, Oklahoma City, Oklahoma
Merger 26

July 14, 1986
Oklahoma National Bank and Trust Company, Oklahoma City, Oklahoma
First Interstate Bank of Oklahoma, National Association, Oklahoma City, Oklahoma
Merger 27

July 18, 1986
First Tennessee Bank, National Association, Memphis, Tennessee
Farmers' Bank, Trimble, Tennessee
Merger 28

July 18, 1986
NCNB National Bank of Florida, Tampa, Florida
Pan American Bank, National Association, Miami, Florida
Merger 28

July 24, 1986
City National Bank of Pittsburg, Pittsburg, Kansas
McCune State Bank, McCune, Kansas
Merger 29

July 25, 1986
Bank of Mountain Valley, National Association, Conifer, Colorado
The Bank of Park County, Bailey, Colorado
Mountain Valley Bank, Conifer, Colorado
Merger 30

July 31, 1986
Scottsbluff National Bank and Trust Company, Scottsbluff, Nebraska
The Gering National Bank & Trust Company, Gering, Nebraska
Merger 31

August 1, 1986
The Planters National Bank and Trust Company, Rocky Mount, North Carolina
First National Bank of Smithfield, Smithfield, North Carolina
Merger 32

August 2, 1986
First National Mercantile Bank and Trust Company, Joplin, Missouri
Community National Mercantile Bank, Joplin, Missouri
Merchants and Miners Bank of Webb City, Webb City, Webb City, Missouri
Merger 32

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August 4, 1986
The Connecticut Bank and Trust Company, National Association, Hartford, Connecticut
Three Branches of The Connecticut National Bank, Hartford, Connecticut
Purchase 33

August 7, 1986
The American National Bank of Lawton, Lawton, Oklahoma
The First National Bank and Trust Company of El Reno, El Reno, Oklahoma
Merger 34

August 7, 1986
Fort National Bank, Easton, Kansas
The Easton State Bank, Easton, Kansas
Merger 35

August 14, 1986
The Girard National Bank, Girard, Kansas
The State Exchange Bank, Yates Center, Kansas
Merger 36

August 14, 1986
The Liberty National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma
Citizens National Bank & Trust Company, Oklahoma City, Oklahoma, Oklahoma City, Oklahoma
Merger 37

August 14, 1986
Mid-American National Bank and Trust Company, Northwood, Ohio
The Dime Bank of Northwest Ohio, Continental, Ohio
Merger 38

August 15, 1986
Lamorinda National Bank, Lafayette, California
One Branch of First Commercial Bank, Lafayette, California
Purchase 38

August 20, 1986
First Midwest Bank/Quincy, National Association, Quincy, Illinois
Mendon State Bank, Mendon, Illinois
Merger 39

August 29, 1986
The Indiana National Bank, Indianapolis, Indiana
The Fidelity Bank of Indiana, Carmel, Indiana
Merger 40

August 31, 1986
The Citizens and Southern National Bank, Savannah, Georgia
Fannin County Bank, Blue Ridge, Georgia
Merger 40

September 2, 1986
Kanawha Valley Bank, N.A., Charleston, West Virginia
Bank of West Virginia, Charleston, West Virginia
Merger 41

September 3, 1986
Commonwealth Bank and Trust Company, National Association, Williamsport, Pennsylvania
The First National Bank of Howard, Howard, Pennsylvania
Merger 42

September 4, 1986
Community National Bank of Okarche, Okarche, Oklahoma
Fairview State Bank, Fairview, Oklahoma
Merger 43

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September 5, 1986
  United Bank, National Association, Midland, Texas
  Western Bank, Midland, Texas
  Merger 44
September 12, 1986
  First Fidelity Bank, National Association, North Jersey, Totowa, New Jersey
  One Branch of Washington Savings Bank, Hoboken, New Jersey
  Purchase 45
September 15, 1986
  Fidelity Bank, National Association, Malvern, Pennsylvania
  Industrial Valley Bank and Trust Company, Jenkintown, Pennsylvania
  Merger 46
September 19, 1986
  First Fidelity Bank, National Association, County, Tenafly, New Jersey
  One Branch of Washington Savings Bank, Hoboken, New Jersey
  Purchase 46
September 19, 1986
  RepublicBank Lubbock, National Association, Lubbock, Texas
  Texas Bank and Trust Company, Lubbock, Texas
  Merger 47

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September 25, 1986
  Bank of New England, National Association, Boston, Massachusetts
  Security National Bank, Lynn, Massachusetts
  Merger 48
September 25, 1986
  Farmers Bank & Trust National Association, Albert, Kansas
  The Home State Bank, La Crosse, Kansas
  Merger 48
September 26, 1986
  Brookhollow National Bank, Dallas, Texas
  Heritage National Bank, Richardson, Texas
  Merger 49
September 27, 1986
  Whitney National Bank of New Orleans, New Orleans, Louisiana
  American Bank & Trust Company, Lafayette, Louisiana
  Merger 50
September 30, 1986
  The Citizens and Peoples National Bank of Pensacola, Pensacola, Florida
  Gulfside National Bank, Gulf Breeze, Florida
  Merger 51
September 30, 1986
  First of America Bank—Gogebic, National Association, Ironwood, Michigan
  The Bessemer National Bank, Bessemer, Michigan
  Merger 51

HERITAGE BANK NATIONAL ASSOCIATION,
Cherry Hill Township, New Jersey, and Midlantic National Bank/South, Haddonfield, New Jersey

Names of banks and type of transaction	*Total assets*
Heritage Bank National Association, Cherry Hill Township, New Jersey (1209), with	$2,146,418,000
and Midlantic National Bank/South, Haddonfield, New Jersey (14457), with	788,015,000
merged July 1, 1986, under title of the latter, charter of the former and located in Mount Laurel. The merged bank at date of merger had	1,981,817,000

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MIDLANTIC NATIONAL BANK/MERCHANTS,
Neptune Township, New Jersey, and Midlantic National Bank/Cranbury, Cranbury, New Jersey

Names of banks and type of transaction	*Total assets*
Midlantic National Bank/Merchants, Neptune Township, New Jersey (15430), with	$ 738,987,000
and Midlantic National Bank/Cranbury, New Jersey (3168), with	178,719,000
merged July 1, 1986, under charter and title of the former. The merged bank at date of merger had	1,110,614,000

* * *

AMERICAN NATIONAL BANK OF ARIZONA,
Scottsdale, Arizona, and Two Branches of The Grand Canyon State Bank, Gilbert, Arizona

Names of banks and type of transaction	*Total assets*
Two Branches of The Grand Canyon State Bank, Gilbert, Arizona, with	NA
were purchased July 11, 1986, by American National Bank of Arizona, Scottsdale, Arizona (20670), with	NA
After the purchase, the receiving bank had	

COMPTROLLER'S DECISION

On June 10, 1986, application was made to the Comptroller of the Currency for prior written approval for American National Bank of Arizona, Scottsdale, Arizona (Assuming Bank), to purchase certain assets and assume certain liabilities of the Gilbert and Mesa branches of the Grand Canyon State Bank, Gilbert, Arizona (Grand Canyon).

The present application is based upon an agreement, which is incorporated herein by reference by which Grand Canyon and the Assuming Bank have agreed that the Assuming Bank will purchase certain of the assets and assume certain of the liabilities, of two branches of Grand Canyon. For the reasons stated hereafter, the Assuming Bank's application is approved, and the assumption transaction may be consummated immediately.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institution, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed transaction will prevent disruption of banking services to the affected communities. The Assuming Bank is a national bank, which is located in the same trade area served by Grand Canyon. The Assuming Bank has the financial and managerial resources to absorb the two branches to be acquired without adverse implications, provided the required capital injection is made.

The Comptroller thus finds that an emergency exists due to the imminent probable failure of Grand Canyon, and that the proposed transaction will not result in a monopoly, or be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States, and that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the communities to be served.

For these reasons, the Assuming Bank's application to purchase two branches of Grand Canyon, as set forth in the agreement between Grand Canyon and the Assuming Bank, is approved. The Comptroller further finds that the imminent probable failure of Grand Canyon requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the communities. The Comptroller thus authorizes the transaction to be consummated immediately subject to a separate communication to the Assuming Bank.

July 7, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

THE FIRST NATIONAL BANK AND TRUST COMPANY OF OKLAHOMA CITY, Oklahoma City, Oklahoma, and First Interstate Bank of Oklahoma City, National Association, Oklahoma City, Oklahoma

Names of banks and type of transaction	*Total assets*
The First National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma (4862), with	$1,754,157,000
and First Interstate Bank of Oklahoma City, National Association, Oklahoma City, Oklahoma (21296), with	NA
merged July 14, 1986, under charter and title of the latter. The merged bank at date of merger had	

COMPTROLLER'S DECISION

On July 14, 1986, application was made to the Comptroller of the Currency to grant prior written approval for First Interstate Bank of Oklahoma City, National Association, Oklahoma City, Oklahoma (FIB), to purchase certain assets and assume certain liabilities of The First National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma (FNB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between FIB and the Federal Deposit Insurance Corporation (FDIC) as receiver of FNB. For reasons set forth below, the application is hereby approved and FIB is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on July 14, 1986, FNB was declared insolvent by the Comptroller of the Currency, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and FIB by which the latter would purchase certain assets and assume certain liabilities of FNB.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Oklahoma City community. FNB has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Oklahoma City community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, FIB's application to assume certain liabilities and purchase certain assets of FNB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of FNB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

July 14, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

OKLAHOMA NATIONAL BANK AND TRUST COMPANY, Oklahoma City, Oklahoma, and First Interstate Bank of Oklahoma, National Association, Oklahoma City, Oklahoma

Names of banks and type of transaction	*Total assets*
Oklahoma National Bank and Trust Company, Oklahoma City, Oklahoma (13276), with	$94,512,000
and First Interstate Bank of Oklahoma, National Association, Oklahoma City, Oklahoma (21296), with	NA
merged July 14, 1986, under charter and title of the latter. The merged bank at date of merger had	

COMPTROLLER'S DECISION

On July 14, 1986, application was made to the Comptroller of the Currency for prior written approval for Oklahoma National Bank and Trust Company, Oklahoma City, Oklahoma (ONB), to merge with and into the First Interstate Bank of Oklahoma City, National Association, Oklahoma City, Oklahoma (FIB).

The present application is based upon an agreement, which is incorporated herein by reference by which FIB, the successor to the failed First National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma (FNB) which was closed by the Comptroller of the Currency on July 14, 1986, will acquire all of the assets and liabilities of ONB via merger. For the reasons stated hereafter, the application is approved, and the merger transaction may be consummated immediately.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a merger which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institution, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed transaction is part of a larger proposal designed to prevent disruption of banking services to the community which would result from the closing of FNB. FIB which is a wholly owned subsidiary of First Interstate Bancorp, Los Angeles, California, has the financial and managerial resources to absorb ONB.

The Comptroller thus finds that an emergency exists due to the failure of FNB, and that the proposed transaction will not result in a monopoly, or be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States, and that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction, of which this merger is a part, in meeting the convenience and needs of the community to be served.

For these reasons, the FIB's application to merge with ONB, as set forth in the agreement between the banks, is approved. The Comptroller further finds that the failure of FNB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

FIB is authorized to operate ONB's offices as branches. In addition to the other permissions granted, I hereby invoke the privileges afforded under 12 CFR 5.2(b), waive Notice of Filing of an Application under 12 CFR 5.8 and Written Comments and Requests for a hearing under 12 CFR 5.10 and authorize the relocation of ONB's branch office from 8901 South Western Avenue, Oklahoma City, Oklahoma, to 6307 Waterford Boulevard, Oklahoma City, Oklahoma.

July 14, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST TENNESSEE BANK, NATIONAL ASSOCIATION,
Memphis, Tennessee, and Farmers' Bank, Trimble, Tennessee

Names of banks and type of transaction	*Total assets*
First Tennessee Bank, National Association, Memphis, Tennessee (336), with	$5,220,443,000
and Farmers' Bank, Trimble, Tennessee, with	21,445,000
merged July 18, 1986, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On July 18, 1986 application was made to the Comptroller of the Currency to grant prior written approval for First Tennessee Bank, National Association, Memphis, Tennessee (Assuming Bank), to purchase certain of the assets and assume certain of the liabilities of Farmers' Bank, Trimble, Tennessee (Farmers). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Farmers. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on July 18, 1986, Farmers was declared insolvent by the Commissioner of Financial Institutions for the State of Tennessee, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Farmers.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Trimble community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Trimble community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, Assuming Bank's application to assume certain liabilities and purchase certain assets of Farmers, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Farmers requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community, and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

Assuming Bank is also authorized to operate Farmers' two banking offices as branches.

July 18, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

NCNB NATIONAL BANK OF FLORIDA,
Tampa, Florida, and Pan American Bank, National Association, Miami, Florida

Names of banks and type of transaction	*Total assets*
NCNB National Bank of Florida, Tampa, Florida (17775), with	$5,418,676,000
and Pan American Bank, National Association, Miami, Florida (16442), with	1,301,451,000
merged July 16, 1986, under charter and title of the former. The merged bank at date of merger had	6,967,880,000

* * *

CITY NATIONAL BANK OF PITTSBURG,
Pittsburg, Kansas, and McCune State Bank, McCune, Kansas

Names of banks and type of transaction	*Total assets*
City National Bank of Pittsburg, Pittsburg, Kansas (15503), with	**$50,937,000**
and McCune State Bank, McCune, Kansas, with	**9,134,000**
merged July 24, 1986, under charter and title of the former. The merged bank at date of merger had	**NA**

COMPTROLLER'S DECISION

On July 24, 1986, application was made to the Comptroller of the Currency to grant prior written approval for City National Bank of Pittsburg, Pittsburg, Kansas (Assuming Bank), to purchase certain assets and assume certain liabilities of McCune State Bank, McCune, Kansas (MSB). The application rests upon an agreement incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of MSB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On July 24, 1986, due to the financial condition of MSB, the Kansas State Bank Commissioner closed MSB and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of MSB.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the McCune community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of MSB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of MSB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

July 24, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

BANK OF MOUNTAIN VALLEY, NATIONAL ASSOCIATION,
Conifer, Colorado, and The Bank of Park County, Bailey, Colorado, and Mountain Valley Bank, Conifer, Colorado

Names of banks and type of transaction	*Total assets*
Bank of Mountain Valley, National Association, Conifer, Colorado (21301), with	$ NA
and The Bank of Park County, Bailey, Colorado, with	5,950,000
and Mountain Valley Bank, Conifer, Colorado, with	8,054,000
merged July 25, 1986, under charter and title of Bank of Mountain Valley, National Association. The merged bank at date of merger had	

COMPTROLLER'S DECISION

On July 25, 1986, application was made to the Comptroller of the Currency to grant prior written approval for Bank of Mountain Valley, National Association, Conifer, Colorado (Assuming Bank), to purchase certain assets and assume certain liabilities of Mountain Valley Bank, Conifer, Colorado (MVB) and The Bank of Park County, Bailey, Colorado (BPC). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of MVB and BPC. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On July 25, 1986, due to the financial condition of MVB and BPC, the Colorado State Bank Commissioner closed the banks and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of MVB and BPC.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Conifer and Bailey communities.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of MVB and BPC, as set forth in the agreement, is approved. The Comptroller further finds that the failure of MVB and BPC requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

July 25, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

SCOTTSBLUFF NATIONAL BANK AND TRUST COMPANY, Scottsbluff, Nebraska, and The Gering National Bank & Trust Company, Gering, Nebraska

Names of banks and type of transaction	*Total assets*
Scottsbluff National Bank and Trust Company, Scottsbluff, Nebraska (9581), with	**$134,928,000**
and The Gering National Bank & Trust Company, Gering, Nebraska (9694), with	**70,213,000**
merged July 31, 1986, under charter and title of the former. The merged bank at date of merger had	**NA**

COMPTROLLER'S DECISION

On July 31, 1986, application was made to the Comptroller of the Currency to grant prior written approval for Scottsbluff National Bank and Trust Company, Scottsbluff, Nebraska (Assuming Bank), to purchase certain assets and assume certain liabilities of The Gering National Bank and Trust Company, Gering, Nebraska (GNB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of GNB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On July 31, 1986, due to the financial condition of GNB, the Comptroller of the Currency closed the bank and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of GNB.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Gering community. Nebraska State Law permits the operation of statewide branches and Assuming Bank may operate both offices of GNB as branches.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of GNB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of GNB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately. Assuming Bank is authorized to operate both offices of GNB as branches.

July 31, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

THE PLANTERS NATIONAL BANK AND TRUST COMPANY, Rocky Mount, North Carolina, and First National Bank of Smithfield, Smithfield, North Carolina

Names of banks and type of transaction	*Total assets*
The Planters National Bank and Trust Company, Rocky Mount, North Carolina (10608), with	$640,083,000
and First National Bank of Smithfield, Smithfield, North Carolina (15165), with	58,048,000
merged August 1, 1986, under charter and title of the former. The merged bank at date of merger had	698,131,000

COMPTROLLER'S DECISION

On April 23, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The Planters National Bank and Trust Company, Rocky Mount, North Carolina, (Planters), with First National Bank of Smithfield, Smithfield, North Carolina (Smithfield). This application was based on an agreement finalized between the proponents on April 15, 1986.

As of March 31, 1986, Planters, a holding company bank, had total deposits of $640 million and operated 52 offices. On the same date, Smithfield had total deposits of $58 million and operated 4 offices. Planters is wholly owned and controlled by The Planters Corporation, a bank holding company.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a merger clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a merger that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of Planters and Smithfield do not raise concerns that would cause the application to be disapproved. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

June 27, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL MERCANTILE BANK AND TRUST COMPANY, Joplin, Missouri, and Community National Mercantile Bank, Joplin, Missouri, and Merchants and Miners Bank of Webb City, Webb City, Missouri

Names of banks and type of transaction	*Total assets*
First National Mercantile Bank and Trust Company, Joplin, Missouri (13162), with	$169,033,000
and Community National Mercantile Bank, Joplin, Missouri (15587), with	25,350,000
and Merchants and Miners Bank of Webb City, Webb City, Missouri, with	20,423,000
merged August 2, 1986, under charter and title of First National Mercantile Bank and Trust Company. The merged bank at date of merger had	213,961,000

* * *

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, Hartford, Connecticut, and Three Branches of The Connecticut National Bank, Hartford, Connecticut

Names of banks and type of transaction	*Total assets*
Three Branches of the Connecticut National Bank, Hartford, Connecticut (1338), with	**$ NA**
were purchased August 4, 1986, by The Connecticut Bank and Trust Company, National Association, Hartford, Connecticut (4), with	**7,748,638,000**
After the purchase, the receiving bank had	

COMPTROLLER'S DECISION

On April 29, 1986, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), for prior authorization for The Connecticut Bank and Trust Company, National Association, Hartford, Connecticut (CBT) to purchase certain of the assets and assume certain liabilities of three offices of the Connecticut National Bank, Hartford, Connecticut (CNB). The offices to be acquired are former offices of the Jefferson Federal Savings and Loan Association which is in the process of being acquired by CNB. The application is based on an agreement finalized between CBT and CNB on April 14, 1986.

CBT is a wholly owned subsidiary of Bank of New England Corporation and as of December 31, 1985 it had total assets of approximately $7.7 billion and operated offices throughout the State of Connecticut.

As of the same date the three offices to be acquired, two of which are located in Meriden and one of which is located in Cheshire, held total deposits of approximately $84 million.

The relevant geographic market for this proposal is the northern portion of New Haven County including the communities of Meriden and Cheshire. It is from this area that the offices to be acquired derive the bulk of their business. Although CBT is already represented in the market, consummation of this proposal will not significantly lessen competition in the market. Over nine other banks or savings banks have offices in the area, several of which control a greater portion of the market than CBT. In addition, numerous other financial institutions serve the area through offices in the Hartford area, 20 miles to the north, and the New Haven area, 20 miles to the south.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered good and the resulting bank is expected to meet the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

June 30, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE AMERICAN NATIONAL BANK OF LAWTON,
Lawton, Oklahoma, and The First National Bank and Trust Company of El Reno, El Reno, Oklahoma

Names of banks and type of transaction	*Total assets*
The American National Bank of Lawton, Lawton, Oklahoma (12067), with	$101,914,000
and The First National Bank and Trust Company of El Reno, El Reno, Oklahoma (4830), with	47,182,000
merged August 7, 1986, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On August 7, 1986, application was made to the Comptroller of the Currency to grant prior written approval for American National Bank of Lawton, Lawton, Oklahoma (Assuming Bank), to purchase certain assets and assume certain liabilities of First National Bank and Trust Company of El Reno, El Reno, Oklahoma (FNB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of FNB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On August 7, 1986, due to the financial condition of FNB, the Comptroller closed FNB and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of FNB.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the El Reno community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of FNB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of FNB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

August 7, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

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FORT NATIONAL BANK,
Easton, Kansas, and The Easton State Bank, Easton, Kansas

Names of banks and type of transaction	*Total assets*
Fort National Bank, Easton, Kansas (21318), with	**$ NA**
and The Easton State Bank, Easton, Kansas, with	**17,197,000**
merged August 7, 1986, under charter and title of the former. The merged bank at date of merger had	

COMPTROLLER'S DECISION

On August 7, 1986, application was made to the Comptroller of the Currency to grant prior written approval for Fort National Bank, Easton, Kansas (Assuming Bank), to purchase certain assets and assume certain liabilities of Easton State Bank, Easton, Kansas (ESB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of ESB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On August 7, 1986, due to the financial condition of ESB, the Kansas State Bank Commissioner closed ESB and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of ESB.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Easton community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of ESB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of ESB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

August 7, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

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THE GIRARD NATIONAL BANK,
Girard, Kansas, and The State Exchange Bank, Yates Center, Kansas

Names of banks and type of transaction	*Total assets*
The Girard National Bank, Girard, Kansas (13347), with	**$36,116,000**
and The State Exchange Bank, Yates Center, Kansas, with	**27,813,000**
merged August 14, 1986, under charter and title of the former. The merged bank at date of merger had	**NA**

COMPTROLLER'S DECISION

On August 14, 1986, application was made to the Comptroller of the Currency to grant prior written approval for The Girard National Bank, Girard, Kansas (Assuming Bank), to purchase certain assets and assume certain liabilities of The State Exchange Bank, Yates Center, Kansas (Exchange). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Exchange. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on August 14, 1986, Exchange had total assets of approximately $25 million. The bank was declared insolvent by the Kansas State Banking Commissioner on August 14, 1986, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Exchange.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Yates Center community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Yates Center community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Exchange, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Exchange requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

August 14, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

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THE LIBERTY NATIONAL BANK AND TRUST COMPANY OF OKLAHOMA CITY, Oklahoma City, Oklahoma, and Citizens National Bank & Trust Company, Oklahoma City, Oklahoma, Oklahoma City, Oklahoma

Names of banks and type of transaction	*Total assets*
The Liberty National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma (11230), with	$2,093,471,000
and Citizens National Bank & Trust Company, Oklahoma City, Oklahoma, Oklahoma City, Oklahoma (15031), with	179,081,000
merged August 14, 1986, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On August 14, 1986, application was made to the Comptroller of the Currency to grant prior written approval for Liberty National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma (Assuming Bank), to purchase certain assets and assume certain liabilities of the Citizens National Bank and Trust Company, Oklahoma City, Oklahoma, Oklahoma City, Oklahoma (Citizens). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Citizens. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On August 14, 1986, the Comptroller closed Citizens due to its financial condition and appointed the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, of Citizens as part of an insured deposit transfer.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Oklahoma City community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Citizens, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Citizens requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

As part of this transaction it is acknowledged that the primary capital position of the assuming bank may fall below 6.00 percent of the bank's total assets. Therefore, this approval is conditioned upon primary capital being brought to a level of greater than 6.00 percent of total assets, as described in 12 CFR 3, prior to December 31, 1986.

August 14, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

MID-AMERICAN NATIONAL BANK AND TRUST COMPANY,
Northwood, Ohio, and The Dime Bank of Northwest Ohio, Continental, Ohio

Names of banks and type of transaction	*Total assets*
Mid-American National Bank and Trust Company, Northwood, Ohio (15416), with	$320,317,000
and The Dime Bank of Northwest Ohio, Continental, Ohio, with	35,502,000
merged August 14, 1986, under charter and title of the former. The merged bank at date of merger had	354,569,000

COMPTROLLER'S DECISION

On March 5, 1986, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), for prior authorization for The Mid-American National Bank & Trust Company, Northwood, Ohio (Mid-American), to purchase the assets and assume the liabilities of The Dime Bank of Northwest Ohio, Continental, Ohio (Dime Bank). The application is based on an agreement finalized between Mid-American and Dime Bank on January 13, 1986.

Mid-American had total assets of $320 million and total deposits of $285 million as of December 31, 1985, and operated 22 offices throughout Wood, Lucas, Hancock, Ottawa and Williams counties.

Dime Bank, a wholly owned subsidiary of American Bancorporation, Inc., had total assets of $36 million and total deposits of $34 million as of December 31, 1985, and operated 5 offices in Putnam, Henry and Logan counties.

The relevant geographic market for competitive analysis of this proposal consists of the areas immediately surrounding Dime Bank's offices in Putnam, Henry, and Logan counties. Mid-American's nearest office is located in Wood County approximately 8 miles northeast of Dime Bank's McClure, Ohio office. Mid-American does not have any offices in Dime Bank's geographic market or anywhere within the counties in which Dime Bank operates. Consequently, consummation of this proposal would not have a significantly adverse effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial condition of Dime Bank is poor, evidenced by earning and asset quality problems. Mid-American has the financial capacity to absorb Dime Bank without adverse implications. The future prospects of the combined entity are considered good and the resulting bank is expected to meet the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

July 15, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

LAMORINDA NATIONAL BANK,
Lafayette, California, and One Branch of First Commercial Bank, Sacramento, California

Names of banks and type of transaction	*Total assets*
One Branch of First Commercial Bank, Sacramento, California, with	$ NA
was purchased August 15, 1986, by Lamorinda National Bank, Lafayette, California (17640), with	46,637,000
After the purchase, the receiving bank had	

COMPTROLLER'S DECISION

On March 5, 1986, application was made to the Office of the Comptroller of the Currency by Lamorinda National Bank, Lafayette, California (Lamorinda), for prior authorization to purchase certain of the assets and assume certain of the liabilities of the Lafayette branch of First Commercial Bank, Sacramento, California. This application was based on an agreement finalized between the proponents on December 9, 1985.

As of December 31, 1985, Lamorinda, a wholly owned subsidiary of Lamorinda Financial Corporation, held total deposits of $39 million and operated two offices. On the same date, the branch to be acquired held total deposits of $10 million.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a purchase of assets clearly has minimal or no adverse competitive effects. The Office finds that, even though this proposal does not pass the proximity market test, consummation of the proposal clearly will have no or minimal adverse competitive effects. While the proposed transaction would eliminate direct competition between the two financial institutions, any adverse competitive effects would be mitigated by the market presence of five other commercial banks, including three of the largest financial institutions in the nation.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of Lamorinda are considered favorable, as are the effects of the proposal on the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

Lamorinda is also authorized to relocate its head office from 3684 Mt. Diablo Boulevard, Lafayette, California, to the address of the branch being acquired, 3528 Mt. Diablo Boulevard, Lafayette, California.

June 5, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST MIDWEST BANK/QUINCY, NATIONAL ASSOCIATION, Quincy, Illinois, and Mendon State Bank, Mendon, Illinois

Names of banks and type of transaction	Total assets
First Midwest Bank/Quincy, National Association, Quincy, Illinois (14564), with	$132,724,000
and Mendon State Bank, Mendon, Illinois, with	18,891,000
merged August 20, 1986, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On August 20, 1986, application was made to the Comptroller of the Currency to grant prior written approval for First Midwest Bank/Quincy, National Association, Quincy, Illinois (Assuming Bank), to purchase certain assets and assume certain liabilities of Mendon State Bank, Mendon, Illinois (Mendon). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Mendon. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on August 15, 1986, Mendon had total assets of approximately $18 million. The bank was declared insolvent by the Illinois State Banking Commissioner on August 20, 1986, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Mendon.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Mendon community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Mendon community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Mendon, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Mendon requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

August 20, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

THE INDIANA NATIONAL BANK,
Indianapolis, Indiana, and The Fidelity Bank of Indiana, Carmel, Indiana

Names of banks and type of transaction	*Total assets*
The Indiana National Bank, Indianapolis, Indiana (984), with	$3,538,150,000
and The Fidelity Bank of Indiana, Carmel, Indiana, with	87,366,000
merged August 29, 1986, under charter and title of the former. The merged bank at date of merger had	3,619,321,000

* * *

THE CITIZENS AND SOUTHERN NATIONAL BANK,
Savannah, Georgia, and Fannin County Bank, Blue Ridge, Georgia

Names of banks and type of transaction	*Total assets*
The Citizens and Southern National Bank, Savannah, Georgia (13068), with	$9,800,000,000
and Fannin County Bank, Blue Ridge, Georgia, with	51,300,000
merged August 31, 1986. The merged bank at date of merger had	9,900,000,000

COMPTROLLER'S DECISION

On June 18, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Fannin County Bank, Blue Ridge, Georgia (Fannin), with The Citizens and Southern National Bank, Savannah, Georgia (CSNB). This application was based on an agreement finalized between the proponents on March 18, 1986.

As of December 31, 1985, Fannin, a state bank, had total deposits of $44 million and operated two offices. On the same date, CSNB had total deposits of $6,366 million and operated 191 offices. CSNB is entirely owned and controlled by Citizens and Southern Georgia Corporation, a one bank holding company.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a merger clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a merger that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and convenience and needs of the community to be served." We find that the financial and managerial resources of Fannin and CSNB do not raise concerns that would cause the application to be disapproved. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

June 18, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

KANAWHA VALLEY BANK, N.A., Charleston, West Virginia, and Bank of West Virginia, Charleston, West Virginia

Names of banks and type of transact[illegible]	*Total assets*
Kanawha Valley Bank, N.A., Charleston, West Virginia (16433), with	**$534,571,000**
and Bank of West Virginia, Charleston, West Virginia, with	**124,916,000**
merged September 2, 1986, under charter and title of the former. The merged bank at date of merger had	**659,487,000**

COMPTROLLER'S DECISION

On April 16, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Kanawha Valley Bank, National Association, Charleston, West Virginia (KVB) and Bank of West Virginia, Charleston, West Virginia (Bank of WVA). This application was filed pursuant to an agreement finalized between the proponents on March 18, 1986.

As of December 31, 1985, Bank of WVA, an independent bank, held total deposits of $108 million in one banking office. On the same date, KVB had total deposits of $405 million in three offices. KVB is wholly owned and controlled by One Valley Bancorp, a multi-bank holding company.

The relevant geographic market for this proposal is Kanawha County. The only office of Bank of WVA is located in Charleston, West Virginia's largest metropolitan area, which is centrally situated in the county. Bank of WVA, which is the 6th largest bank in Kanawha County with a 6 percent share of aggregate deposits, reportedly derives over 90 percent of its customers from within the county. KVB and an affiliated bank, Bank of St. Albans, are also located in the market and together hold 29 percent of market deposits, ranking first among the county's banking organizations. The market contains twelve other banking organizations, including two banks owned by the state's largest bank holding company, and five offices of the largest thrift institution in the state.

The resulting banking organization will continue to be the largest in the county, with 35 percent share of bank deposits. Given the number and composition of remaining market participants, consummation of the proposed merger would not have a significant effect on competition in the Kanawha County market.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of KVB and Bank of WVA are satisfactory. The future prospects of the proponents, individually and combined, are considered good and the resulting bank is expected to meet the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

July 16, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

COMMONWEALTH BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, Williamsport, Pennsylvania, and The First National Bank of Howard, Howard, Pennsylvania

Names of banks and type of transaction	*Total assets*
Commonwealth Bank and Trust Company, National Association, Williamsport, Pennsylvania (175), with	**$806,797,000**
and The First National Bank of Howard, Howard, Pennsylvania (9249), with	**11,445,000**
merged September 3, 1986, under charter and title of the former. The merged bank at date of merger had	**817,993,000**

COMPTROLLER'S DECISION

On April 11, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The First National Bank of Howard, Howard, Pennsylvania (FNB of Howard), into Commonwealth Bank and Trust Company, National Association, Williamsport, Pennsylvania (Commonwealth). This application was based on an agreement finalized between the proponents on November 7, 1985.

Commonwealth is the sole banking subsidiary of Commonwealth Bancshares Corporation, the 23rd largest banking organization in Pennsylvania. As of December 31, 1985, Commonwealth held total deposits of $687 million and operated 32 offices in north-central Pennsylvania. On the same date, FNB of Howard's only office held total deposits of $10 million.

The relevant geographic market for this proposal is the area including and immediately surrounding Howard, where FNB of Howard operates its only office and derives the bulk of its deposits. Within the relevant market, six commercial banks and two savings and loan associations operate seventeen offices and hold total deposits of approximately $277 million. Commonwealth ranks second among depositories in the relevant market, with a 26 percent share of total market deposits. FNB of Howard ranks sixth with a market share of 4 percent. Consummation of this proposal would increase Commonwealth's market share to 30 percent, with market rankings unaffected.

While the proposed merger would eliminate some existing competition in the relevant market, any adverse competitive effects would be mitigated by the presence of numerous banking alternatives both within the relevant and adjacent markets, including the presence of the state's largest financial institution.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of Commonwealth and FNB of Howard do not raise concerns that would cause the application to be disapproved. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

July 28, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

COMMUNITY NATIONAL BANK OF OKARCHE, Okarche, Oklahoma, and Fairview State Bank, Fairview, Oklahoma

Names of banks and type of transaction	*Total assets*
Community National Bank of Okarche, Okarche, Oklahoma (18233), with	$ 9,090,000
and Fairview State Bank, Fairview, Oklahoma, with	24,000,000
merged September 4, 1986, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On September 4, 1986, application was made to the Comptroller of the Currency to grant prior written approval for Community National Bank of Okarche, Okarche, Oklahoma (Community), to purchase certain assets and assume certain liabilities of the Fairview State Bank, Fairview, Oklahoma (FSB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between Community and the Federal Deposit Insurance Corporation (FDIC) as receiver of FSB. For reasons set forth below, the application is hereby approved and Community is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on September 4, 1986, FSB was declared insolvent by the Oklahoma Banking Commissioner, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Community by which the latter would purchase certain assets and assume certain liabilities of FSB.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Fairview community. Community has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Fairview community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, Community's application to assume certain liabilities and purchase certain assets of FSB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of FSB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

September 4, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

UNITED BANK, NATIONAL ASSOCIATION, Midland, Texas, and Western Bank, Midland, Texas

Names of banks and type of transaction	*Total assets*
United Bank, National Association, Midland, Texas (17874), with	**$111,640,000**
and Western Bank, Midland, Texas, with	**77,432,000**
merged September 5, 1986, under charter and title of the former. The merged bank at date of merger had	**NA**

COMPTROLLER'S DECISION

On September 5, 1986, application was made to the Comptroller of the Currency to grant prior written approval for United Bank, National Association, Midland, Texas (Assuming Bank), to purchase certain assets and assume certain liabilities of Western Bank, Midland, Texas (WB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of WB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On September 5, 1986, due to the financial condition of WB, the Texas State Bank Commissioner closed WB and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of WB.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Midland community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, Assuming Bank's application to assume certain liabilities and purchase certain assets of WB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of WB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

September 5, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST FIDELITY BANK, NATIONAL ASSOCIATION, NORTH JERSEY, Totowa, New Jersey, and One Branch of Washington Savings Bank, Hoboken, New Jersey

Names of banks and type of transaction	*Total assets*
One Branch of Washington Savings Bank, Hoboken, New Jersey, with	$ NA
was purchased September 12, 1986, by First Fidelity Bank, National Association, North Jersey, Totowa, New Jersey (12990), with	1,466,336,000
After the purchase, the receiving bank had	

COMPTROLLER'S DECISION

On April 24, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to purchase certain assets and assume certain liabilities of the Ringwood Branch of Washington Savings Bank, Hoboken, New Jersey, (Washington) by First Fidelity Bank, National Association, North Jersey, Totowa, New Jersey (First Fidelity). This application was made pursuant to an agreement finalized between the proponents on February 4, 1986.

As of March 31, 1986, Washington Savings Bank, a mutual savings bank, had total deposits of $256 million and operated 10 offices. The Ringwood Branch held total deposits of $4 million. On the same date, First Fidelity held total deposits of $1.4 billion and operated 39 offices. First Fidelity is a wholly owned subsidiary of First Fidelity Bancorporation.

The relevant geographic market for this proposal is the town of Ringwood and the area immediately surrounding the town, in the north central portion of Passaic County. The market area is comprised of older resort facilities and more recently developed residential communities for commuters working the New York metropolitan area.

The market area contains three banks and one thrift institution. First Fidelity holds 59 percent of bank deposits. The Ringwood branch of Washington is the market's smallest competitor, with a 10 percent market share. While the market itself is highly concentrated and isolated geographically from other portions of Passaic County, there are numerous banking alternatives available immediately across the border in Rockland County, New York, including offices of several major statewide organizations. In addition, Washington has stated its intention to close the proposed branch office when the current lease expires in August, 1986. In view of these mitigating factors, the anticompetitive effects of this proposal are not considered significant.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of First Fidelity and Washington are satisfactory. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

July 29, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIDELITY BANK, NATIONAL ASSOCIATION,
Malvern, Pennsylvania, and Industrial Valley Bank and Trust Company, Jenkintown, Pennsylvania

Names of banks and type of transaction	*Total assets*
Fidelity Bank, National Association, Malvern, Pennsylvania (355), with	**$6,550,346,000**
and Industrial Valley Bank and Trust Company, Jenkintown, Pennsylvania, with	**2,040,890,000**
merged September 15, 1986, under charter and title of the former. The merged bank at date of merger had	**8,581,285,000**

* * *

FIRST FIDELITY BANK NATIONAL ASSOCIATION, COUNTY,
Tenafly, New Jersey, and One Branch of Washington Savings Bank, Hoboken, New Jersey

Names of banks and type of transaction	*Total assets*
One Branch of Washington Savings Bank, Hoboken, New Jersey, with	**$ NA**
was purchased September 19, 1986, by First Fidelity Bank National Association, County, Tenafly, New Jersey (12014), with	**589,858,000**
After the purchase, the receiving bank had	

COMPTROLLER'S DECISION

On April 24, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to purchase certain assets and assume certain liabilities of the Englewood Branch of Washington Savings Bank, Hoboken, New Jersey, (Washington) by First Fidelity Bank, National Association, County, Tenafly, New Jersey (First Fidelity). This application was made pursuant to an agreement finalized between the proponents on February 4, 1986.

As of March 31, 1986, Washington Savings Bank, a mutual savings bank, had total deposits of $256 million and operated 10 offices. The Englewood Branch held total deposits of $14 million. On the same date, First Fidelity held total deposits of $474 million and operated 15 offices. First Fidelity is a wholly owned subsidiary of First Fidelity Bancorporation.

The relevant geographic market for this proposal is the town of Englewood and the area immediately surrounding the town. Within a five-mile radius of Englewood, 23 banks hold $4 billion in aggregate deposits. Both Washington and First Fidelity operate within this market. In addition, First Fidelity Bancorporation owns two other bank subsidiaries which operate offices in the relevant geographic market. Subsidiaries of First Fidelity Bancorporation, taken together, rank third in the market with 14 percent of bank deposits, while Washington ranks 17th with less than 1 percent. Following consummation of this proposal, First will continue with the same rank and market penetration, while Washington will rank 18th. Consummation of this proposal will not significantly lessen competition in the relevant market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of First Fidelity and Washington are satisfactory. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

July 29, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

REPUBLICBANK LUBBOCK, NATIONAL ASSOCIATION, Lubbock, Texas, and Texas Bank and Trust Company, Lubbock, Texas

Names of banks and type of transaction	*Total assets*
RepublicBank Lubbock, National Association, Lubbock, Texas (12683), with	**$543,506,000**
and Texas Bank and Trust Company, Lubbock, Texas, with	**39,250,000**
merged September 19, 1986, under charter and title of the former. The merged bank at date of merger had	**NA**

COMPTROLLER'S DECISION

On September 19, 1986, application was made to the Comptroller of the Currency to grant prior written approval for RepublicBank Lubbock, National Association, Lubbock, Texas (Assuming Bank), to purchase certain assets and assume certain liabilities of Texas Bank and Trust Company, Lubbock, Texas (Texas Bank). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Texas Bank. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on September 19, 1986, Texas Bank had total assets of approximately $36 million. The bank was declared insolvent by the Texas State Banking Commissioner on September 19, 1986, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Texas Bank.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Lubbock community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Lubbock community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Texas Bank, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Texas Bank requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

September 19, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

BANK OF NEW ENGLAND, NATIONAL ASSOCIATION, Boston, Massachusetts, and Security National Bank, Lynn, Massachusetts

Names of banks and type of transaction	*Total assets*
Bank of New England, National Association, Boston, Massachusetts (475), with	$6,185,133,000
and Security National Bank, Lynn, Massachusetts (7452), with	305,545,000
merged September 25, 1986, under charter and title of the former. The merged bank at date of merger had	6,489,631,000

COMPTROLLER'S DECISION

On May 14, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Security National Bank, Lynn, Massachusetts (Security), into Bank of New England, National Association, Boston, Massachusetts (BNE). This application was based on an agreement finalized between the proponents on May 6, 1986.

As of December 31, 1985, BNE, a wholly owned subsidiary of Bank of New England Corporation, had total deposits of $4.8 billion and operated 20 offices in the Boston area. On the same date, Security, a wholly owned subsidiary of Security Bancorp, Inc., had total deposits of $267 million.

The relevant geographic markets for this proposal include the southern portion of Essex County and the northeastern portion of Middlesex County, the area where the 15 offices of Security are located and derive the bulk of their deposits. The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a merger clearly has minimal or no adverse competitive effects. The Office finds that while the proposed merger would eliminate some direct competition between the two financial institutions, any adverse effects would be mitigated by the presence of numerous other banking alternatives in the relevant markets.

The Bank Merger Act requires this Office to consider "the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of BNE and Security do not raise concerns that would cause the application to be disapproved. The future prospects of the proponents, individually and combined, are considered favorable, and the resulting bank is expected to meet the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

August 26, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FARMERS BANK & TRUST NATIONAL ASSOCIATION, Albert, Kansas, and The Home State Bank, La Crosse, Kansas

Names of banks and type of transaction	*Total assets*
Farmers Bank & Trust National Association, Albert, Kansas (17464), with	$35,266,000
and The Home State Bank, La Crosse, Kansas, with	14,718,000
merged September 25, 1986, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On September 25, 1986, application was made to the Office of the Comptroller of the Currency to grant prior written approval for the Farmers Bank & Trust National Association, Albert, Kansas (Assuming Bank), to purchase certain assets and assume certain liabilities of the Home State Bank, La Crosse, Kansas (HSB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of HSB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on September 25, 1986 HSB was declared insolvent by the Kansas State Banking Commissioner and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of HSB.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the La Crosse community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the La Crosse community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of HSB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of HSB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

September 25, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

BROOKHOLLOW NATIONAL BANK, Dallas, Texas, and Heritage National Bank, Richardson, Texas

Names of banks and type of transaction	Total assets
Brookhollow National Bank, Dallas, Texas (21357), with	$54,568,000
and Heritage National Bank, Richardson, Texas (17173), with	33,112,000
merged September 26, 1986, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On September 25, 1986, application was made to the Comptroller of the Currency to grant prior written approval for the Brookhollow National Bank, Richardson, Texas (Assuming Bank), to purchase certain assets and assume certain liabilities of The Heritage National Bank, Richardson, Texas (Heritage). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Heritage. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on September 25, 1986 Heritage was declared insolvent by the Comptroller of the Currency and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would

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purchase certain assets and assume certain liabilities of Heritage.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Richardson community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Richardson community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Heritage, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Heritage requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

September 25, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

WHITNEY NATIONAL BANK OF NEW ORLEANS,
New Orleans, Louisiana, and American Bank & Trust Company, Lafayette, Louisiana

Names of banks and type of transaction	*Total assets*
Whitney National Bank of New Orleans, New Orleans, Louisiana (14977), with	$2,176,686,000
and American Bank & Trust Company, Lafayette, Louisiana, with	210,925,000
merged September 27, 1986, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On September 26, 1986, application was made to the Comptroller of the Currency to grant prior written approval for Whitney National Bank of New Orleans, New Orleans, Louisiana (Assuming Bank), to purchase certain assets and assume certain liabilities of the American Bank & Trust Company, Lafayette, Louisiana (American). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of American. For reasons set forth below, the application is hereby approved and Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on September 26, 1986, American was declared insolvent by the Louisiana Banking Commissioner, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of American.

Under the Bank Merger Act, 12 U.S.C. §1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Lafayette community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Lafayette community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, Assuming Bank's application to assume certain liabilities and purchase certain assets of American, as set forth in the agreement, is approved. The Comptroller further finds that the failure of American requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

September 26, 1986

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

THE CITIZENS AND PEOPLES NATIONAL BANK OF PENSACOLA,
Pensacola, Florida, and Gulfside National Bank, Gulf Breeze, Florida

Names of banks and type of transaction	*Total assets*
The Citizens and Peoples National Bank of Pensacola, Pensacola, Florida (9007), with	**$175,971,000**
and Gulfside National Bank, Gulf Breeze, Florida (17542), with	**14,199,000**
merged September 30, 1986, under charter and title of the former. The merged bank at date of merger had	**190,170,000**

* * *

FIRST OF AMERICA BANK—GOGEBIC, NATIONAL ASSOCIATION,
Ironwood, Michigan, and The Bessemer National Bank, Bessemer, Michigan

Names of banks and type of transaction	*Total assets*
First of America Bank—Gogebic, National Association, Ironwood, Michigan (9517), with	**$48,393,000**
and The Bessemer National Bank, Bessemer, Michigan (13607), with	**23,831,000**
merged September 30, 1986, under charter and title of the former. The merged bank at date of merger had	**72,224,000**

COMPTROLLER'S DECISION

On April 7, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to consolidate First of America Bank—Gogebic, Ironwood, Michigan (FAB) with The Bessemer National Bank, Bessemer, Michigan (BNB). This application was based on an agreement finalized between the proponents on November 20, 1986.

As of September 30, 1985, BNB, an independent bank, had total deposits of approximately $19 million and operated a single banking office. On the same date, FAB had total deposits of approximately $44 million and operated two offices. FAB is wholly owned and controlled by First of America Bank Corporation, Michigan's fifth largest bank holding company.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a consolidation clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a consolidation that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find that the financial and managerial resources of FAB and BNB do not raise concerns that would cause the application to be disapproved. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved subject to the conditions noted in a separate communication to First of America Bank Corporation.

August 8, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

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Assets, liabilities and capital accounts of national banks, June 30, 1985, and June 30, 1986

(Dollar amounts in millions)

	June 30, 1985 4,962 banks	*June 30, 1986 4,913 banks**	*Change June 30, 1985–June 30, 1986 Fully consolidated*	
	Consolidated foreign and domestic	*Consolidated foreign and domestic*	*Amount*	*Percent*
Assets				
Cash and balances due from depository institutions				
Noninterest-bearing balances and currency and coin	$ 106,917	$ 122,035	$ 15,118	14.1
Interest-bearing balances	92,069	84,603	-7,466	-8.1
Securities	221,648	252,508	30,860	13.9
Federal funds sold and securities purchased under agreements to resell	66,223	79,038	12,815	19.4
Loans and leases, net of unearned income	948,031	1,023,840	75,809	8.0
Less allowance for loan and lease losses	13,201	16,844	3,643	27.6
Less allocated transfer risk reserve	51	80	29	56.9
Net loans and leases	934,779	1,006,916	72,137	7.7
Premises and fixed assets	23,428	24,907	1,479	6.3
Other real estate owned	3,793	4,469	676	17.8
Other assets	79,311	75,055	-4,256	-5.4
Total assets	1,528,168	1,649,531	121,363	7.9
Liabilities				
Noninterest-bearing deposits in domestic offices	235,320	273,900	38,580	16.4
Interest-bearing deposits in domestic offices	721,127	777,614	56,487	7.8
Total domestic deposits	956,447	1,051,513	95,066	9.9
Noninterest-bearing deposits in foreign offices	7,802	9,975	2,173	27.9
Interest-bearing deposits in foreign offices	203,714	194,734	-8,980	-4.4
Total foreign deposits	211,516	204,709	-6,807	-3.2
Total deposits	1,167,963	1,256,222	88,259	7.6
Federal funds purchased and securities sold under agreements to repurchase	132,843	152,494	19,651	14.8
Interest-bearing demand notes issued to the U.S. Treasury	14,844	14,581	-263	-1.8
Other liabilities for borrowed money	32,423	46,457	14,034	43.3
Mortgage indebtedness and liability for capitalized leases	1,594	1,536	-58	-3.6
Subordinated notes and debentures	7,408	9,711	2,303	31.1
All other liabilities	78,909	69,439	-9,470	-12.0
Total liabilities	1,435,985	1,550,440	114,455	8.0
Limited-life preferred stock	64	70	6	9.4
Equity capital				
Perpetual preferred stock	359	674	315	87.7
Common stock	16,429	16,243	-186	-1.1
Surplus	28,860	31,352	2,492	8.6
Undivided profits and capital reserves	46,823	51,068	4,245	9.1
Cumulative foreign currency translation adjustments	-351	-315	36	-10.3
Total equity capital	92,119	99,021	6,902	7.5
Total liabilities, limited-life preferred stock, and equity capital	1,528,168	1,649,531	121,363	7.9

*Reporting national banks. Does not include the nonnational bank in the District of Columbia.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, June 30, 1986
(Dollar amounts in millions)

	Total United States	*Alabama*	*Alaska*	*Arizona*	*Arkansas*	*California*	*Colorado*
Number of banks	4 913	52	6	15	81	169	244
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 122 035	$ 916	$ 225	$ 1 356	$ 678	$ 15 631	$ 1 867
Interest-bearing balances	84 603	417	1	236	161	12 086	325
Securities	252 508	2 723	529	2 616	2 260	14 523	2 962
Federal funds sold and securities purchased under agreements to resell	79 038	272	57	496	605	7 077	1 417
Loans and leases, net of unearned income	1 023 840	7 316	1 565	11 346	5 343	145 669	10 096
Less allowance for loan and lease losses	16 844	99	17	150	88	3 164	173
Less allocated transfer risk reserve	80	0	0	0	0	72	0
Net loans and leases	1 006 916	7,217	1 547	11 197	5 255	142 432	9,923
Premises and fixed assets	24 907	218	89	328	186	3 274	328
Other real estate owned	4 469	28	23	42	45	928	184
Other assets	75,055	353	44	322	193	10,040	438
Total assets	1 649 531	12 144	2 516	16 592	9 382	205 992	17 444
Liabilities							
Noninterest-bearing deposits in domestic offices	273 900	2 289	656	3 400	1 584	34 425	3 992
Interest-bearing deposits in domestic offices	777 614	7 032	1 194	10 738	6 506	93 641	10 167
Total domestic deposits	1 051 513	9 321	1 849	14 138	8 090	128 066	14 160
Noninterest-bearing deposits in foreign offices	9 975	0	1	0	2	1 808	0
Interest-bearing deposits in foreign offices	194 734	290	—	25	2	38 031	170
Total foreign deposits	204 709	290	1	25	4	39 929	170
Total deposits	1 256 222	9 611	1 851	14 163	8 094	167 995	14 330
Federal funds purchased and securities sold under agreements to repurchase	152 494	1 191	258	856	367	8 329	1 392
Interest-bearing demand notes issued to the U.S. Treasury	14 581	50	11	186	37	1 169	75
Other liabilities for borrowed money	46 457	55	49	44	35	5 947	53
Mortgage indebtedness and liability for capitalized leases	1 536	9	1	14	7	229	18
Subordinated notes and debentures	9 711	3	0	40	18	2 985	30
All other liabilities	69 439	275	31	317	95	10 596	270
Total liabilities	1 550 440	11 194	2 201	15 619	8 654	197 251	16 168
Limited-life preferred stock	70	0	0	0	0	0	0
Equity capital							
Perpetual preferred stock	674	0	0	2	14	371	1
Common stock	16 243	38	65	75	151	2 174	236
Surplus	31 352	412	87	191	150	2 877	445
Undivided profits and capital reserves	51 068	500	162	705	413	3 453	595
Cumulative foreign currency translation adjustments	-315	0	0	0	0	-135	0
Total equity capital	99 021	951	314	973	728	8,741	1,277
Total liabilities, limited-life preferred stock, and equity capital	1 649 531	12 144	2 516	16 592	9 382	205 992	17 444
Number of banks with foreign offices	144	2	1	2	1	5	2

See notes at end of table.

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Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, June 30, 1986 — continued

(Dollar amounts in millions)

	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii	Idaho
Number of banks	17	15	18	169	55	3	7
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 1,893	$ 193	$ 958	$ 5,665	$ 2,813	$ 17	$ 406
Interest-bearing balances	476	40	1,977	1,235	1,108	2	380
Securities	2,618	353	2,256	12,388	4,543	33	932
Federal funds sold and securities purchased under agreements to resell	586	70	515	4,806	872	23	202
Loans and leases, net of unearned income	10,020	10,926	9,024	40,714	16,906	119	3,521
Less allowance for loan and lease losses	107	295	136	521	239	2	69
Less allocated transfer risk reserve	2	0	0	1	0	0	0
Net loans and leases	9,912	10,631	8,887	40,193	16,667	117	3,458
Premises and fixed assets	255	74	207	1,598	466	3	91
Other real estate owned	18	—	26	102	29	1	29
Other assets	262	240	431	1,647	787	3	100
Total assets	16,021	11,600	15,256	67,634	27,285	199	5,597
Liabilities							
Noninterest-bearing deposits in domestic offices	4,633	369	2,730	13,615	6,694	46	745
Interest-bearing deposits in domestic offices	8,063	4,093	7,263	42,346	12,689	132	3,777
Total domestic deposits	12,697	4,463	9,993	55,961	19,383	179	4,522
Noninterest-bearing deposits in foreign offices	0	0	5	7	64	0	0
Interest-bearing deposits in foreign offices	534	55	2,050	608	642	0	0
Total foreign deposits	534	55	2,055	615	706	0	0
Total deposits	13,230	4,518	12,048	56,575	20,089	179	4,522
Federal funds purchased and securities sold under agreements to repurchase	1,247	2,400	1,647	5,194	4,077	1	558
Interest-bearing demand notes issued to the U.S. Treasury	293	2	142	496	14	1	32
Other liabilities for borrowed money	24	3,475	88	149	167	0	2
Mortgage indebtedness and liability for capitalized leases	17	3	10	57	26	1	9
Subordinated notes and debentures	133	135	121	124	238	2	16
All other liabilities	170	285	338	906	1,069	2	111
Total liabilities	15,116	10,817	14,394	63,500	25,680	185	5,250
Limited-life preferred stock	0	0	0	0	0	0	0
Equity capital							
Perpetual preferred stock	0	13	0	2	0	0	1
Common stock	110	160	79	650	191	8	44
Surplus	305	315	191	1,804	484	5	190
Undivided profits and capital reserves	491	294	593	1,678	931	1	113
Cumulative foreign currency translation adjustments	0	0	-1	0	0	0	0
Total equity capital	905	783	862	4,134	1,605	14	347
Total liabilities, limited-life preferred stock, and equity capital	16,021	11,600	15,256	67,634	27,285	199	5,597
Number of banks with foreign offices	2	1	6	13	3	0	0

See notes at end of table

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Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, June 30, 1986 — continued
(Dollar amounts in millions)

	Illinois	*Indiana*	*Iowa*	*Kansas*	*Kentucky*	*Louisiana*	*Maine*
Number of banks	399	108	106	168	77	71	7
Assets							
Cash and balances due from depository institutions:							
Noninterest-bearing balances and currency and coin	$ 6,598	$ 2,432	$ 838	$ 808	$ 1,197	$ 1,368	$ 205
Interest-bearing balances	8,542	984	96	149	145	618	6
Securities	19,475	5,611	2,507	3,077	2,910	4,516	370
Federal funds sold and securities purchased under agreements to resell	4,560	1,205	769	826	646	1,281	102
Loans and leases, net of unearned income	62,371	14,709	4,347	5,257	7,578	10,491	1,602
Less allowance for loan and lease losses	1,173	175	87	87	96	183	17
Less allocated transfer risk reserve	0	0	0	0	0	0	0
Net loans and leases	61,197	14,534	4,260	5,170	7,482	10,309	1,585
Premises and fixed assets	1,239	322	133	166	205	450	36
Other real estate owned	166	57	66	42	25	92	1
Other assets	3,653	759	176	217	241	334	38
Total assets	105,431	25,904	8,845	10,456	12,850	18,967	2,345
Liabilities							
Noninterest-bearing deposits in domestic offices	15,073	4,541	1,630	1,690	2,431	3,499	468
Interest-bearing deposits in domestic offices	41,459	15,824	5,906	7,154	7,585	11,959	1,565
Total domestic deposits	56,532	20,365	7,537	8,844	10,016	15,458	2,032
Noninterest-bearing deposits in foreign offices	497	0	0	0	9	0	0
Interest-bearing deposits in foreign offices	21,534	224	0	0	101	26	0
Total foreign deposits	22,031	224	0	0	110	26	0
Total deposits	78,563	20,589	7,537	8,844	10,126	15,484	2,032
Federal funds purchased and securities sold under agreements to repurchase	10,311	2,598	490	556	1,322	1,641	109
Interest-bearing demand notes issued to the U.S. Treasury	2,222	264	44	56	190	41	16
Other liabilities for borrowed money	3,845	101	8	9	66	48	20
Mortgage indebtedness and liability for capitalized leases	33	33	19	4	22	37	2
Subordinated notes and debentures	503	15	24	7	4	16	1
All other liabilities	3,074	563	107	139	182	257	17
Total liabilities	98,551	24,162	8,230	9,616	11,914	17,523	2,197
Limited-life preferred stock	0	0	0	0	0	0	0
Equity capital							
Perpetual preferred stock	10	3	7	—	0	0	0
Common stock	1,902	229	96	134	105	196	18
Surplus	2,391	458	162	223	163	407	37
Undivided profits and capital reserves	2,608	1,052	351	482	668	841	93
Cumulative foreign currency translation adjustments	-32	0	0	0	0	0	0
Total equity capital	6,880	1,742	615	840	936	1,444	147
Total liabilities, limited-life preferred stock, and equity capital	105,431	25,904	8,845	10,456	12,850	18,967	2,345
Number of banks with foreign offices	5	3	1	0	1	2	0

See notes at end of table.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, June 30, 1986 — continued
(Dollar amounts in millions)

	Maryland	*Massachusetts*	*Michigan*	*Minnesota*	*Mississippi*	*Missouri*	*Montana*
Number of banks	24	52	119	212	33	113	56
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 1,862	$ 4,319	$ 2,800	$ 2,785	$ 581	$ 3,190	$ 205
Interest-bearing balances	496	1,742	2,651	1,562	111	630	74
Securities	3,433	5,672	7,865	7,978	2,449	4,431	585
Federal funds sold and securities purchased under agreements to resell	834	686	1,714	2,730	486	2,244	971
Loans and leases, net of unearned income	11,282	31,365	22,919	21,929	4,574	14,935	2,148
Less allowance for loan and lease losses	222	459	315	432	74	207	52
Less allocated transfer risk reserve	1	1	0	0	0	0	0
Net loans and leases	11,059	30,906	22,604	21,498	4,500	14,728	2,096
Premises and fixed assets	234	600	461	293	182	506	57
Other real estate owned	14	33	87	118	32	56	26
Other assets	625	1,786	1,148	1,812	211	495	103
Total assets	18,557	45,743	39,329	38,774	8,552	26,279	4,116
Liabilities							
Noninterest-bearing deposits in domestic offices	4,334	8,437	7,332	5,941	1,490	6,232	503
Interest-bearing deposits in domestic offices	8,891	17,807	22,419	18,270	5,514	13,997	2,580
Total domestic deposits	13,226	26,244	29,751	24,211	7,004	20,229	3,082
Noninterest-bearing deposits in foreign offices	1	382	16	24	0	0	0
Interest-bearing deposits in foreign offices	803	5,761	1,756	2,008	21	598	0
Total foreign deposits	804	6,144	1,772	2,032	21	598	0
Total deposits	14,030	32,388	31,523	26,243	7,025	20,828	3,082
Federal funds purchased and securities sold under agreements to repurchase	1,703	5,559	3,323	7,280	735	2,711	666
Interest-bearing demand notes issued to the U.S. Treasury	299	554	532	544	15	176	16
Other liabilities for borrowed money	713	2,963	199	540	59	159	11
Mortgage indebtedness and liability for capitalized leases	31	27	32	34	7	87	11
Subordinated notes and debentures	101	117	140	307	13	5	15
All other liabilities	553	1,691	1,147	1,651	111	470	68
Total liabilities	17,429	43,299	36,897	36,599	7,965	24,435	3,869
Limited-life preferred stock	0	0	0	0	0	0	0
Equity capital							
Perpetual preferred stock	0	0	0	11	0	4	6
Common stock	93	169	369	390	53	259	80
Surplus	401	799	704	550	439	462	84
Undivided profits and capital reserves	634	1,483	1,361	1,224	95	1,119	78
Cumulative foreign currency translation adjustments	0	-6	-2	0	0	0	0
Total equity capital	1,128	2,445	2,432	2,175	587	1,844	247
Total liabilities, limited-life preferred stock, and equity capital	18,557	45,743	39,329	38,774	8,552	26,279	4,116
Number of banks with foreign offices	3	5	4	4	1	4	0

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, June 30, 1986 — continued

(Dollar amounts in millions)

	Nebraska	*Nevada*	*New Hampshire*	*New Jersey*	*New Mexico*	*New York*	*North Carolina*
Number of banks	119	6	22	70	43	105	17
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 879	$ 368	$ 258	$ 4,472	$ 426	$ 16,101	$ 3,003
Interest-bearing balances	65	186	19	760	48	27,156	1,476
Securities	2,497	629	526	9,213	1,332	31,955	9,471
Federal funds sold and securities purchased under agreements to resell	555	27	119	1,779	474	14,516	1,791
Loans and leases, net of unearned income	4,779	4,269	2,276	28,649	3,244	178,418	23,718
Less allowance for loan and lease losses	88	86	22	348	46	2,143	367
Less allocated transfer risk reserve	0	0	0	0	0	—	0
Net loans and leases	4,691	4,183	2,254	28,301	3,198	176,275	23,350
Premises and fixed assets	159	126	56	677	112	4,018	591
Other real estate owned	72	21	5	33	24	295	18
Other assets	214	110	55	1,200	121	28,367	1,406
Total assets	9,132	5,651	3,292	46,435	5,736	298,683	41,105
Liabilities							
Noninterest-bearing deposits in domestic offices	1,647	898	647	11,509	895	36,464	6,691
Interest-bearing deposits in domestic offices	6,050	2,648	2,205	26,609	3,945	72,658	18,548
Total domestic deposits	7,697	3,546	2,852	38,118	4,840	109,122	25,239
Noninterest-bearing deposits in foreign offices	0	0	0	—	0	6,080	9
Interest-bearing deposits in foreign offices	0	0	0	502	0	98,050	1,658
Total foreign deposits	0	0	0	502	0	104,130	1,668
Total deposits	7,697	3,546	2,852	38,620	4,840	213,252	26,907
Federal funds purchased and securities sold under agreements to repurchase	419	622	147	3,207	406	20,115	9,632
Interest-bearing demand notes issued to the U.S. Treasury	28	18	19	172	16	1,133	424
Other liabilities for borrowed money	106	654	18	414	1	16,607	390
Mortgage indebtedness and liability for capitalized leases	26	3	13	21	3	152	81
Subordinated notes and debentures	14	150	—	152	9	1,771	129
All other liabilities	130	99	33	1,039	57	28,501	1,190
Total liabilities	8,419	5,091	3,082	43,624	5,333	281,530	38,752
Limited-life preferred stock	0	0	0	0	0	0	61
Equity capital							
Perpetual preferred stock	1	0	0	5	0	13	0
Common stock	105	131	12	475	92	2,506	264
Surplus	159	252	65	693	138	5,384	465
Undivided profits and capital reserves	449	176	132	1,637	174	9,385	1,564
Cumulative foreign currency translation adjustments	0	0	0	0	0	-134	0
Total equity capital	713	559	209	2,811	403	17,153	2,292
Total liabilities, limited-life preferred stock, and equity capital	9,132	5,651	3,292	46,435	5,736	298,683	41,105
Number of banks with foreign offices	0	0	0	7	0	10	3

See notes at end of table

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Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, June 30, 1985 — continued
(Dollar amounts in millions)

	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina
Number of banks	43	141	227	8	181	5	21
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 189	$ 4,788	$ 1,185	$ 1,124	$ 7,140	$ 505	$1,025
Interest-bearing balances	29	2,437	451	275	5,281	371	78
Securities	709	12,093	4,957	1,824	18,685	1,522	1,424
Federal funds sold and securities purchased under agreements to resell	397	2,888	784	737	2,589	422	953
Loans and leases, net of unearned income	1,715	39,025	9,187	8,185	57,079	5,973	6,022
Less allowance for loan and lease losses	36	505	235	90	864	91	78
Less allocated transfer risk reserve	0	0	0	0	2	0	0
Net loans and leases	1,678	38,520	8,952	8,095	56,212	5,882	5,944
Premises and fixed assets	41	953	304	166	1,072	102	192
Other real estate owned	15	63	162	43	102	12	8
Other assets	62	1,545	415	945	6,288	607	223
Total assets	3,121	63,288	17,210	13,207	97,370	9,423	9,848
Liabilities							
Noninterest-bearing deposits in domestic offices	394	10,510	2,888	2,080	15,260	1,130	2,393
Interest-bearing deposits in domestic offices	2,257	38,368	11,852	7,720	45,898	5,099	5,619
Total domestic deposits	2,651	48,878	14,740	9,800	61,157	6,229	8,012
Noninterest-bearing deposits in foreign offices	0	10	0	0	916	1	0
Interest-bearing deposits in foreign offices	0	717	91	21	6,022	846	0
Total foreign deposits	0	727	91	21	6,937	847	0
Total deposits	2,651	49,605	14,831	9,822	68,095	7,076	8,012
Federal funds purchased and securities sold under agreements to repurchase	166	7,186	762	1,064	12,401	907	967
Interest-bearing demand notes issued to the U.S. Treasury	12	289	99	60	851	61	83
Other liabilities for borrowed money	11	484	58	341	3,789	564	28
Mortgage indebtedness and liability for capitalized leases	5	60	9	11	73	4	8
Subordinated notes and debentures	15	28	18	40	743	42	26
All other liabilities	47	1,176	200	999	5,950	251	123
Total liabilities	2,907	58,828	15,979	12,337	91,903	8,904	9,247
Limited-life preferred stock	0	0	0	0	—	0	0
Equity capital							
Perpetual preferred stock	0	—	43	2	1	20	0
Common stock	60	691	235	95	593	43	58
Surplus	60	1,569	347	205	1,622	128	180
Undivided profits and capital reserves	94	2,199	607	570	3,257	328	363
Cumulative foreign currency translation adjustments	0	0	0	0	-6	—	0
Total equity capital	214	4,460	1,232	871	5,467	519	601
Total liabilities, limited-life preferred stock, and equity capital	3,121	63,288	17,210	13,207	97,370	9,423	9,848
Number of banks with foreign offices	0	9	2	2	6	2	2

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, June 30, 1986 — continued
(Dollar amounts in millions)

	South Dakota	*Tennessee*	*Texas*	*Utah*	*Vermont*	*Virginia*	*Washington*
Number of banks	25	59	1,067	7	12	47	23
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 282	$ 1,841	$ 10,032	$ 583	$ 103	$ 1,597	$ 2,408
Interest-bearing balances	60	734	7,748	364	11	102	279
Securities	802	4,048	18,572	591	234	3,448	1,875
Federal funds sold and securities purchased under agreements to resell	582	661	10,041	516	85	596	887
Loans and leases, net of unearned income	11,180	11,806	86,761	4,180	1,077	13,541	19,860
Less allowance for loan and lease losses	346	152	1,983	54	8	145	309
Less allocated transfer risk reserve	0	0	—	0	0	0	0
Net loans and leases	10,833	11,653	84,773	4,126	1,069	13,396	19,551
Premises and fixed assets	125	322	2,388	86	26	385	490
Other real estate owned	19	40	933	66	2	29	144
Other assets	437	965	3,305	121	22	433	1,204
Total assets	13,140	20,265	137,792	6,453	1,552	19,986	26,837
Liabilities							
Noninterest-bearing deposits in domestic offices	463	4,358	22,533	1,146	258	3,490	5,095
Interest-bearing deposits in domestic offices	4,954	11,593	73,764	3,838	1,118	12,330	14,965
Total domestic deposits	5,417	15,952	96,297	4,983	1,376	15,820	20,061
Noninterest-bearing deposits in foreign offices	0	0	13	0	0	0	29
Interest-bearing deposits in foreign offices	0	160	9,808	61	0	25	1,244
Total foreign deposits	0	160	9,820	61	0	25	1,273
Total deposits	5,417	16,112	106,117	5,044	1,376	15,845	21,334
Federal funds purchased and securities sold under agreements to repurchase	3,514	1,737	16,216	742	45	2,047	1,795
Interest-bearing demand notes issued to the U.S. Treasury	14	35	3,114	31	10	178	290
Other liabilities for borrowed money	2,254	164	907	60	—	319	424
Mortgage indebtedness and liability for capitalized leases	4	26	164	7	—	21	41
Subordinated notes and debentures	448	6	671	46	2	35	234
All other liabilities	368	757	2,097	119	13	268	1,144
Total liabilities	12,020	18,837	129,286	6,051	1,445	18,714	25,261
Limited-life preferred stock	0	0	0	0	0	0	9
Equity capital							
Perpetual preferred stock	1	34	105	0	0	0	6
Common stock	195	208	1,708	54	13	113	246
Surplus	230	350	2,878	116	32	336	821
Undivided profits and capital reserves	695	836	3,815	233	62	823	494
Cumulative foreign currency translation adjustments	0	—	0	0	0	0	—
Total equity capital	1,120	1,428	8,506	402	107	1,272	1,567
Total liabilities, limited-life preferred stock, and equity capital	13,140	20,265	137,792	6,453	1,552	19,986	26,837
Number of banks with foreign offices	0	3	18	2	0	2	3

See notes at end of table.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, June 30, 1986 — continued

(Dollar amounts in millions)

	West Virginia	*Wisconsin*	*Wyoming*	*Puerto Rico*	*D.C. — nonnational**
Number of banks	96	117	55	1	1
Assets					
Cash and balances due from depository institutions					
Noninterest-bearing balances and currency and coin	$ 424	$ 1,298	$ 197	$ 2	$ 7
Interest-bearing balances	127	254	41	2	—
Securities	2,728	2,911	841	4	36
Federal funds sold and securities purchased under agreements to resell	641	749	199	1	2
Loans and leases, net of unearned income	4,065	9,390	1,347	16	41
Less allowance for loan and lease losses	49	118	39	—	1
Less allocated transfer risk reserve	0	1	0	0	0
Net loans and leases	4,016	9,272	1,308	16	40
Premises and fixed assets	175	291	46	—	1
Other real estate owned	25	32	39	0	—
Other assets	148	337	69	1	1
Total assets	8,283	15,144	2,742	25	86
Liabilities					
Noninterest-bearing deposits in domestic offices	1,135	2,807	424	3	22
Interest-bearing deposits in domestic offices	5,832	9,154	2,001	19	56
Total domestic deposits	6,966	11,961	2,425	22	78
Noninterest-bearing deposits in foreign offices	0	10	0	0	0
Interest-bearing deposits in foreign offices	0	289	0	0	0
Total foreign deposits	0	299	0	0	0
Total deposits	6,966	12,260	2,425	22	78
Federal funds purchased and securities sold under agreements to repurchase	446	1,376	54	0	2
Interest-bearing demand notes issued to the U.S. Treasury	21	142	3	0	0
Other liabilities for borrowed money	8	27	2	0	0
Mortgage indebtedness and liability for capitalized leases	8	12	3	0	0
Subordinated notes and debentures	1	11	6	0	0
All other liabilities	87	267	29	1	—
Total liabilities	7,537	14,093	2,521	23	80
Limited-life preferred stock	0	0	0	0	0
Equity capital					
Perpetual preferred stock	0	0	0	0	0
Common stock	89	167	18	2	—
Surplus	199	314	68	2	1
Undivided profits and capital reserves	457	570	134	-1	5
Cumulative foreign currency translation adjustments	0	—	0	0	0
Total equity capital	746	1,051	220	3	6
Total liabilities, limited-life preferred stock, and equity capital	8,283	15,144	2,742	25	86
Number of banks with foreign offices	0	2	0	0	0

* Nonnational banks in the District of Columbia are supervised by the Comptroller of the Currency. Nonnational bank data are not included in U.S. aggregates.

NOTES: Foreign offices are defined to include Edge Act and Agreement subsidiaries in the U.S., branches located in Puerto Rico, the Virgin Islands and U.S. Trust Territories and branches and subsidiaries located in foreign countries. Dashes indicate amounts of less than $500,000. Data are from the consolidated reports of condition filed quarterly by all national banks.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, June 30, 1986

(Dollar amounts in millions)

	Total United States	*Alabama*	*Alaska*	*Arizona*	*Arkansas*	*California*	*Colorado*
Number of banks	4,913	52	6	15	81	169	244
Interest income							
Interest and fee income on loans	$54,610.3	$377.7	$ 87.6	$604.6	$290.5	$7,379.6	$575.6
Income from lease financing receivables	892.2	1.1	0.2	7.0	1.1	181.5	1.9
Interest income on balances due from depository institutions	3,518.3	10.4	0.1	10.6	6.6	483.0	10.7
Interest and dividend income on securities	9,898.8	106.8	23.9	109.4	96.5	411.8	121.9
Interest income from assets held in trading accounts	944.1	2.0	0.0	0.3	2.6	184.5	2.2
Interest income from federal funds sold and securities purchased under agreements to resell	2,759.9	15.0	2.8	9.4	27.2	175.3	46.1
Total interest income	72,623.5	513.0	114.6	741.4	424.5	8,815.8	761.5
Interest expense							
Interest on deposits	35,911.6	250.1	40.9	377.6	228.5	4,615.4	365.1
Expense of federal funds purchased and securities sold under agreements to repurchase	5,633.1	39.2	7.6	24.3	18.3	355.4	49.0
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	2,848.6	5.6	2.2	6.1	1.7	268.8	4.5
Interest on mortgage indebtedness and obligations under capitalized leases	104.9	0.3	0.1	0.6	0.4	12.7	0.9
Interest on notes and debentures subordinated to deposits	385.2	0.4	0.0	1.3	0.8	72.8	1.6
Total interest expense	44,883.4	295.6	50.7	410.0	249.8	5,325.1	421.1
Net interest income	27,740.2	217.4	63.9	331.4	174.7	3,490.7	340.4
Provision for loan and lease losses	7,012.1	19.8	3.9	55.0	30.8	1,576.1	84.2
Provision for allocated transfer risk	23.8	0.0	0.0	0.0	0.0	23.2	0.0
Noninterest income							
Service charges on deposit accounts	2,276.5	23.9	7.5	47.7	16.7	306.2	52.5
Other noninterest income	8,547.2	50.2	14.1	62.5	43.2	1,223.0	101.5
Total noninterest income	10,823.6	74.2	21.6	110.2	59.9	1,529.2	154.0
Gains and losses on securities not held in trading accounts	1,032.7	4.7	0.9	9.7	6.5	77.2	11.8
Noninterest expense							
Salaries and employee benefits	12,609.1	98.5	33.0	165.1	74.4	1,798.4	164.0
Expenses of premises and fixed assets (net of rental income)	4,278.6	30.0	13.3	49.0	24.0	656.6	57.4
Other noninterest expense	9,589.9	60.8	18.6	98.0	64.2	1,098.4	155.1
Total noninterest expense	26,477.7	189.3	64.9	312.1	162.6	3,553.4	376.5
Income (loss) before income taxes and extraordinary items and other adjustments	6,083.9	87.2	17.6	84.2	47.7	-55.6	45.5
Applicable income taxes	1,684.9	13.0	3.5	22.5	11.7	202.3	-7.2
Income before extraordinary items and other adjustments	4,399.0	74.2	14.1	61.7	36.0	-257.9	52.7
Extraordinary items and adjustments, net of taxes	77.8	0.1	—	18.0	0.4	4.3	0.0
Net income	4,476.9	74.3	14.1	79.7	36.4	-253.6	52.7
Total cash dividends declared	2,196.2	27.5	5.8	26.4	14.8	105.1	32.8
Recoveries credited to allowance for possible loan losses	956.2	5.2	0.8	8.1	7.2	172.6	17.8
Losses charged to allowance for possible loan losses	5,547.3	19.7	3.9	49.4	29.1	1,114.9	99.4
Net loan losses	4,591.1	14.4	3.1	41.2	21.9	942.2	81.6

Ratio to total operating income:							
Interest on deposits	43.0	42.6	30.0	44.3	47.2	44.6	39.9
Other interest expense	10.8	7.7	7.2	3.8	4.4	6.9	6.1
Salaries and employee benefits	15.1	16.8	24.2	19.4	15.4	17.4	17.9
Other noninterest expense	16.6	15.5	23.4	17.3	18.2	17.0	23.2
Total operating expenses	85.5	82.6	84.9	84.8	85.1	85.8	87.1
Ratio of net income to total equity capital (end of period)—percent	4.5	7.8	4.5	8.2	5.0	-2.9	4.1

See notes at end of table.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, June 30, 1986 — continued

(Dollar amounts in millions)

	Connecticut	*Delaware*	*District of Columbia*	*Florida*	*Georgia*	*Hawaii*	*Idaho*
Number of banks	17	15	18	169	55	3	7
Interest income							
Interest and fee income on loans	$524.0	$861.0	$425.9	$2,172.7	$ 928.6	$ 6.8	$194.6
Income from lease financing receivables	0.1	0.8	1.2	10.0	16.6	—	1.8
Interest income on balances due from depository institutions	12.9	2.7	73.5	45.9	44.2	0.1	19.5
Interest and dividend income on securities	96.4	13.5	90.2	539.3	184.6	1.7	38.1
Interest income from assets held in trading accounts	1.0	0.0	0.7	4.5	3.1	0.0	0.2
Interest income from federal funds sold and securities purchased under agreements to resell	5.6	2.5	18.4	140.9	26.1	0.6	6.9
Total interest income	639.9	880.6	609.8	2,913.4	1,203.1	9.3	261.1
Interest expense							
Interest on deposits	301.0	147.2	330.1	1,427.6	506.7	4.2	137.1
Expense of federal funds purchased and securities sold under agreements to repurchase	46.4	88.7	48.0	183.7	140.7	—	20.4
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	12.3	151.3	6.1	11.3	4.9	—	0.8
Interest on mortgage indebtedness and obligations under capitalized leases	0.8	0.2	0.5	3.8	1.2	0.1	0.2
Interest on notes and debentures subordinated to deposits	5.4	7.6	6.7	5.1	12.6	—	0.9
Total interest expense	365.9	394.9	391.3	1,631.5	666.0	4.3	159.4
Net interest income	273.9	485.7	218.6	1,281.9	537.1	5.0	101.7
Provision for loan and lease losses	19.7	229.6	32.9	156.3	83.7	0.3	48.6
Provision for allocated transfer risk	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Noninterest income							
Service charges on deposit accounts	29.9	2.7	22.8	151.5	69.1	0.5	14.6
Other noninterest income	77.0	174.4	36.6	258.7	90.1	0.9	18.9
Total noninterest income	106.9	177.1	59.4	410.2	159.2	1.4	33.6
Gains and losses on securities not held in trading accounts	7.8	-2.7	23.9	36.7	8.8	0.3	6.7
Noninterest expense							
Salaries and employee benefits	149.7	54.4	101.3	541.3	231.5	2.8	44.5
Expenses of premises and fixed assets (net of rental income)	52.5	18.6	39.8	215.8	76.3	1.3	8.8
Other noninterest expense	78.1	172.7	60.8	479.4	169.3	1.6	39.3
Total noninterest expense	280.3	245.7	201.9	1,236.5	477.1	5.6	92.6
Income (loss) before income taxes and extraordinary items and other adjustments	88.4	184.7	67.0	337.0	144.2	0.8	0.7
Applicable income taxes	9.8	87.5	9.2	42.2	9.4	0.4	-5.4
Income before extraordinary items and other adjustments	78.6	97.2	57.9	294.9	134.8	0.4	6.1
Extraordinary items and adjustments, net of taxes	0.0	0.0	0.1	7.0	0.0	0.0	0.1
Net income	78.6	97.2	58.0	301.9	134.8	0.4	6.2
Total cash dividends declared	20.5	10.4	12.3	85.3	56.3	0.1	13.4
Recoveries credited to allowance for possible loan losses	4.0	18.0	4.5	28.3	17.2	0.1	4.5
Losses charged to allowance for possible loan losses	15.6	200.9	25.2	144.1	75.8	0.3	32.6
Net loan losses	11.6	182.9	20.6	115.8	58.7	0.2	28.0

Ratio to total operating income							
Interest on deposits	40.3	13.9	49.3	43.0	37.2	39.2	46.5
Other interest expense	8.7	23.4	9.1	6.1	11.7	1.3	7.6
Salaries and employee benefits	20.0	5.1	15.1	16.3	17.0	26.0	15.1
Other noninterest expense	17.5	18.1	15.0	20.9	18.0	26.6	16.3
Total operating expenses	86.5	60.6	88.6	86.3	83.9	93.0	85.5
Ratio of net income to total equity capital (end of period)—percent	8.7	12.4	6.7	7.3	8.4	2.6	1.8

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, June 30, 1986 — continued

(Dollar amounts in millions)

	Illinois	*Indiana*	*Iowa*	*Kansas*	*Kentucky*	*Louisiana*	*Maine*
Number of banks	339	108	106	168	77	71	7
Interest income							
Interest and fee income on loans	$3,209.9	$ 771.2	$241.4	$301.9	$382.6	$572.0	$ 87.3
Income from lease financing receivables	14.6	14.0	0.6	2.3	6.1	3.3	0.4
Interest income on balances due from depository institutions	352.2	39.4	4.2	5.6	3.3	21.2	0.3
Interest and dividend income on securities	671.9	235.6	110.7	140.2	128.4	212.3	16.9
Interest income from assets held in trading accounts	113.5	2.1	0.2	0.1	0.6	0.2	0.0
Interest income from federal funds sold and securities purchased under agreements to resell	151.1	41.4	33.7	34.3	28.9	47.1	2.5
Total interest income	4,513.2	1,103.7	390.7	484.4	549.9	856.2	107.4
Interest expense							
Interest on deposits	2,415.6	578.3	217.0	261.6	275.2	430.5	52.1
Expense of federal funds purchased and securities sold under agreements to repurchase	319.9	81.8	21.8	21.4	48.5	57.9	2.9
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	230.7	14.1	1.7	2.5	6.0	2.8	1.0
Interest on mortgage indebtedness and obligations under capitalized leases	1.7	1.4	0.7	0.2	0.9	1.7	—
Interest on notes and debentures subordinated to deposits	24.1	1.1	1.1	0.4	0.2	0.8	—
Total interest expense	2,992.0	676.8	242.4	286.0	330.9	493.6	56.0
Net interest income	1,521.1	426.9	148.3	198.4	219.0	362.5	51.3
Provision for loan and lease losses	324.7	55.9	57.1	42.2	23.4	103.3	2.6
Provision for allocated transfer risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Noninterest income							
Service charges on deposit accounts	37.6	35.7	13.7	17.5	18.5	36.7	3.1
Other noninterest income	505.8	82.7	36.2	33.8	27.9	52.4	10.3
Total noninterest income	593.4	118.4	49.9	51.3	46.3	89.1	13.4
Gains and losses on securities not held in trading accounts	52.9	7.6	15.9	9.7	1.5	18.3	0.7
Noninterest expense							
Salaries and employee benefits	733.8	177.6	60.0	78.7	90.8	148.5	23.1
Expenses of premises and fixed assets (net of rental income)	227.4	59.3	18.2	23.0	28.8	50.6	8.9
Other noninterest expense	439.1	129.8	54.4	56.0	52.7	109.1	13.7
Total noninterest expense	1,400.3	366.6	142.6	157.7	172.3	308.2	45.7
Income (loss) before income taxes and extraordinary items and other adjustments	442.5	130.5	14.5	59.4	71.1	58.4	17.0
Applicable income taxes	113.3	11.2	3.3	8.1	7.8	2.4	5.1
Income before extraordinary items and other adjustments	329.2	119.3	11.2	51.3	63.3	56.0	11.9
Extraordinary items and adjustments, net of taxes	28.9	1.0	0.2	0.6	0.2	0.1	0.2
Net income	358.1	120.3	11.4	51.9	63.5	56.0	12.1
Total cash dividends declared	146.1	47.3	11.2	39.6	24.8	54.7	4.2
Recoveries credited to allowance for possible loan losses	45.1	10.0	8.0	5.1	4.9	13.5	0.8
Losses charged to allowance for possible loan losses	284.1	56.7	62.0	39.6	23.4	88.1	1.5
Net loan losses	238.9	46.7	54.0	34.5	18.5	74.7	0.7

Ratio to total operating income:							
Interest on deposits	47.3	47.3	49.3	48.8	46.2	45.5	43.2
Other interest expense	11.3	8.1	5.8	4.6	9.3	6.7	3.2
Salaries and employee benefits	14.4	14.5	13.6	14.7	15.2	15.7	19.1
Other noninterest expense	13.1	15.5	18.7	14.7	13.7	16.9	18.7
Total operating expenses	86.0	85.4	87.4	82.8	84.4	84.8	84.3
Ratio of net income to total equity capital (end of period)—percent	5.2	6.9	1.8	6.2	6.8	3.9	8.2

See notes at end of table.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, June 30, 1986 — continued

(Dollar amounts in millions)

	Maryland	*Massachusetts*	*Michigan*	*Minnesota*	*Mississippi*	*Missouri*	*Montana*
Number of banks	24	52	119	212	33	113	56
Interest income							
Interest and fee income on loans	$640.8	$1,647.3	$1,162.3	$1,083.9	$255.8	$ 783.7	$117.7
Income from lease financing receivables	11.0	81.2	9.6	4.6	1.1	6.2	0.2
Interest income on balances due from depository institutions	26.9	110.7	106.5	72.8	3.8	24.6	3.4
Interest and dividend income on securities	120.7	215.1	310.3	310.7	108.6	194.6	23.6
Interest income from assets held in trading accounts	1.9	20.5	3.7	19.7	0.7	6.5	—
Interest income from federal funds sold and securities purchased under agreements to resell	36.1	31.3	51.1	92.5	19.0	87.1	33.8
Total interest income	837.5	2,106.1	1,643.5	1,584.3	389.0	1,102.6	178.7
Interest expense							
Interest on deposits	349.9	947.6	840.5	784.5	197.0	526.0	88.9
Expense of federal funds purchased and securities sold under agreements to repurchase	93.8	207.4	121.1	241.6	29.1	100.7	19.0
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	9.7	138.1	21.1	36.5	2.3	10.3	0.6
Interest on mortgage indebtedness and obligations under capitalized leases	1.4	1.2	1.8	1.8	0.2	3.9	0.6
Interest on notes and debentures subordinated to deposits	4.6	5.2	5.9	12.4	0.4	0.5	0.7
Total interest expense	459.3	1,299.5	990.4	1,076.9	229.0	641.4	109.8
Net interest income	378.1	806.7	653.1	507.4	159.9	461.2	68.9
Provision for loan and lease losses	95.7	111.1	74.5	203.5	20.0	63.7	33.3
Provision for allocated transfer risk	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Noninterest income							
Service charges on deposit accounts	40.0	44.7	64.7	46.1	17.9	39.7	6.7
Other noninterest income	79.2	297.6	168.1	188.3	23.3	139.9	11.7
Total noninterest income	119.2	342.3	232.8	234.3	41.2	179.6	18.4
Gains and losses on securities not held in trading accounts	9.7	25.1	18.8	82.1	2.6	5.7	1.2
Noninterest expense							
Salaries and employee benefits	179.2	397.8	312.9	192.7	67.4	192.4	26.4
Expenses of premises and fixed assets (net of rental income)	60.1	132.0	92.1	59.0	20.9	61.3	8.6
Other noninterest expense	120.7	258.0	224.1	229.9	47.2	171.1	26.8
Total noninterest expense	360.0	787.7	629.1	481.6	135.4	424.8	61.9
Income (loss) before income taxes and extraordinary items and other adjustments	51.0	275.3	201.1	138.8	48.2	158.0	-6.7
Applicable income taxes	-4.8	104.5	36.4	6.4	4.3	38.5	-6.5
Income before extraordinary items and other adjustments	55.8	170.8	164.7	132.4	43.9	119.4	-0.1
Extraordinary items and adjustments, net of taxes	0.0	0.0	0.0	0.0	1.2	0.3	0.0
Net income	55.8	170.8	164.7	132.4	45.1	119.8	-0.1
Total cash dividends declared	16.5	36.1	60.2	59.0	10.3	64.7	9.0
Recoveries credited to allowance for possible loan losses	13.5	31.4	22.0	22.9	4.5	10.2	2.5
Losses charged to allowance for possible loan losses	80.3	95.0	62.5	136.8	16.0	60.4	18.7
Net loan losses	66.8	63.5	40.5	113.9	11.5	50.2	16.2

Ratio to total operating income:							
Interest on deposits	36.0	38.7	44.8	43.1	45.8	41.0	45.1
Other interest expense	11.4	14.4	8.0	16.1	7.5	9.0	10.6
Salaries and employee benefits	18.7	16.2	16.7	10.6	15.7	15.0	13.4
Other noninterest expense	18.9	15.9	16.9	15.9	15.8	18.1	18.0
Total operating expenses	85.6	85.2	86.3	85.7	84.7	83.2	87.1
Ratio of net income to total equity capital (end of period)—percent	4.9	7.0	6.8	6.1	7.7	6.5	-0.1

See notes at end of table.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, June 30, 1986 — continued

(Dollar amounts in millions)

	Nebraska	*Nevada*	*New Hampshire*	*New Jersey*	*New Mexico*	*New York*	*North Carolina*
Number of banks	119	6	22	70	43	105	17
Interest income:							
Interest and fee income on loans	$281.9	$288.1	$124.4	$1,436.5	$191.3	$10,064.7	$1,171.6
Income from lease financing receivables	3.4	1.3	0.2	12.3	1.0	253.2	36.7
Interest income on balances due from depository institutions	2.9	5.2	1.0	33.1	2.4	1,174.6	52.0
Interest and dividend income on securities	109.9	25.6	22.4	387.0	61.6	1,157.8	372.3
Interest income from assets held in trading accounts	0.4	0.3	0.0	2.8	—	471.2	26.4
Interest income from federal funds sold and securities purchased under agreements to resell	32.5	2.1	3.0	40.8	17.3	528.3	58.4
Total interest income	431.0	322.4	151.0	1,912.5	273.6	13,649.8	1,717.4
Interest expense:							
Interest on deposits	220.8	96.7	74.8	879.6	146.3	7,048.2	698.1
Expense of federal funds purchased and securities sold under agreements to repurchase	23.7	24.8	6.9	110.4	14.2	852.3	334.5
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	5.2	21.1	0.6	17.2	0.7	1,302.5	32.1
Interest on mortgage indebtedness and obligations under capitalized leases	1.2	0.3	0.2	1.0	0.2	37.6	4.0
Interest on notes and debentures subordinated to deposits	1.2	2.3	0.2	5.3	0.5	92.9	6.8
Total interest expense	252.0	145.3	82.8	1,013.5	161.9	9,333.5	1,075.5
Net interest income	178.9	177.2	68.3	899.0	111.6	4,316.4	641.9
Provision for loan and lease losses	63.0	35.7	5.2	62.2	18.5	687.5	31.5
Provision for allocated transfer risk	0.0	0.0	0.0	0.0	0.0	—	0.0
Noninterest income:							
Service charges on deposit accounts	13.4	12.3	3.5	84.6	12.1	142.1	68.9
Other noninterest income	52.5	34.6	11.0	121.0	20.0	2,196.9	175.7
Total noninterest income	65.9	46.9	14.5	205.6	32.0	2,339.1	244.6
Gains and losses on securities not held in trading accounts	16.4	0.0	0.4	9.4	4.2	189.7	38.1
Noninterest expense:							
Salaries and employee benefits	69.0	39.9	24.4	370.8	48.6	2,296.3	283.6
Expenses of premises and fixed assets (net of rental income)	23.9	19.2	7.9	135.6	15.8	809.1	89.7
Other noninterest expense	75.9	66.0	26.1	253.0	33.5	1,633.7	177.3
Total noninterest expense	168.7	125.1	58.3	759.4	97.9	4,739.1	550.6
Income (loss) before income taxes and extraordinary items and other adjustments	29.6	63.3	19.6	292.4	31.4	1,418.4	322.6
Applicable income taxes	3.8	25.0	3.6	54.8	7.4	517.3	80.3
Income before extraordinary items and other adjustments	25.7	38.3	16.0	237.6	24.0	901.1	242.3
Extraordinary items and adjustments, net of taxes	—	—	0.0	0.1	0.1	0.7	0.0
Net income	25.8	38.3	16.0	237.7	24.0	901.7	242.3
Total cash dividends declared	12.8	34.0	4.8	93.3	8.9	235.4	49.9
Recoveries credited to allowance for possible loan losses	6.8	3.4	0.6	18.3	3.5	128.9	9.5
Losses charged to allowance for possible loan losses	66.9	32.5	2.1	51.5	17.5	646.0	34.9
Net loan losses	60.1	29.2	1.6	33.2	13.9	517.1	25.5

Ratio to total operating income:							
Interest on deposits	44.4	26.2	45.2	41.5	47.9	44.1	35.6
Other interest expense	6.3	13.1	4.8	6.3	5.1	14.3	19.2
Salaries and employee benefits	13.9	10.8	14.7	17.5	15.9	14.4	14.5
Other noninterest expense	20.1	23.1	20.5	18.3	16.1	15.3	13.6
Total operating expenses	84.7	73.2	85.3	83.7	85.0	88.0	82.9
Ratio of net income to total equity capital (end of period)—percent	3.6	6.9	7.6	8.5	6.0	5.3	10.6

See notes at end of table.

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Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, June 30, 1986 — continued

(Dollar amounts in millions)

	North Dakota	*Ohio*	*Oklahoma*	*Oregon*	*Pennsylvania*	*Rhode Island*	*South Carolina*
Number of banks	43	141	227	8	181	5	21
Interest income							
Interest and fee income on loans	$ 95.3	$2,087.4	$521.2	$439.2	$2,745.5	$302.2	$328.0
Income from lease financing receivables	0.4	50.6	0.6	9.8	51.4	23.7	3.1
Interest income on balances due from depository institutions	1.5	96.3	17.8	9.4	203.9	14.7	2.9
Interest and dividend income on securities	31.5	504.2	206.2	61.9	690.3	55.8	64.5
Interest income from assets held in trading accounts	0.1	3.5	2.8	6.1	30.7	0.9	1.6
Interest income from federal funds sold and securities purchased under agreements to resell	17.0	113.3	29.4	32.4	100.1	13.5	28.3
Total interest income	145.8	2,855.2	778.1	558.8	3,821.8	410.8	428.4
Interest expense							
Interest on deposits	83.6	1,395.4	430.9	250.9	1,840.0	201.6	190.2
Expense of federal funds purchased and securities sold under agreements to repurchase	5.8	257.8	31.7	58.2	414.0	32.8	43.1
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	0.6	25.3	5.9	13.0	178.0	32.1	4.0
Interest on mortgage indebtedness and obligations under capitalized leases	0.2	3.0	0.9	0.5	3.4	0.5	0.4
Interest on notes and debentures subordinated to deposits	0.6	1.4	1.0	1.9	32.8	1.1	1.2
Total interest expense	90.8	1,683.0	470.3	324.4	2,468.3	268.1	238.8
Net interest income	55.0	1,172.2	307.8	234.4	1,353.6	142.7	189.6
Provision for loan and lease losses	22.7	132.6	176.7	34.7	284.6	21.2	23.8
Provision for allocated transfer risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Noninterest income							
Service charges on deposit accounts	4.7	102.6	32.7	33.7	98.7	6.1	23.3
Other noninterest income	8.4	308.1	51.2	41.3	416.9	69.1	36.4
Total noninterest income	13.1	410.7	83.9	75.0	515.6	75.2	59.7
Gains and losses on securities not held in trading accounts	2.9	27.5	20.6	1.2	111.7	5.6	5.0
Noninterest expense							
Salaries and employee benefits	20.1	494.5	134.2	101.7	635.7	73.4	92.5
Expenses of premises and fixed assets (net of rental income)	7.4	157.5	40.6	27.7	211.8	13.1	31.9
Other noninterest expense	18.7	397.0	130.2	73.4	432.4	66.5	63.2
Total noninterest expense	46.3	1,049.0	305.0	202.8	1,280.0	153.0	187.6
Income (loss) before income taxes and extraordinary items and other adjustments	2.1	428.9	-69.4	73.2	416.3	49.3	42.9
Applicable income taxes	-1.0	73.0	-9.3	13.6	44.5	8.2	3.4
Income before extraordinary items and other adjustments	3.1	355.9	-60.1	59.6	371.8	41.1	39.5
Extraordinary items and adjustments, net of taxes	0.0	0.2	0.5	0.0	8.0	0.0	0.0
Net income	3.1	356.0	-59.6	59.6	379.9	41.1	39.5
Total cash dividends declared	6.3	164.3	25.6	24.6	155.3	9.4	9.9
Recoveries credited to allowance for possible loan losses	2.6	53.1	14.6	7.3	32.6	5.9	2.8
Losses charged to allowance for possible loan losses	17.2	163.4	144.3	38.5	184.6	20.2	15.4
Net loan losses	14.5	110.3	129.6	31.2	152.0	14.2	12.6

Ratio to total operating income:							
Interest on deposits	52.6	42.7	50.0	39.6	42.4	41.5	39.0
Other interest expense	4.6	8.8	4.6	11.6	14.5	13.7	10.0
Salaries and employee benefits	12.7	15.1	15.6	16.0	14.7	15.1	19.0
Other noninterest expense	16.5	17.0	19.8	16.0	14.9	16.4	19.5
Total operating expenses	86.3	83.7	89.9	83.2	86.4	86.6	87.4
Ratio of net income to total equity capital (end of period)—percent	1.4	8.0	-4.8	6.8	6.9	7.9	6.6

See notes at end of table.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, June 30, 1986 — continued
(Dollar amounts in millions)

	South Dakota	*Tennessee*	*Texas*	*Utah*	*Vermont*	*Virginia*	*Washington*
Number of banks	25	59	1,067	7	12	47	23
Interest income:							
Interest and fee income on loans	$ 978.7	$629.5	$4,359.9	$226.7	$60.7	$728.3	$1,053.1
Income from lease financing receivables	0.1	4.5	16.5	3.4	0.0	11.2	21.0
Interest income on balances due from depository institutions	3.5	30.4	322.0	10.7	0.5	5.0	15.6
Interest and dividend income on securities	33.9	168.4	779.7	22.5	9.6	143.3	74.7
Interest income from assets held in trading accounts	0.0	5.0	8.6	1.5	—	1.1	5.6
Interest income from federal funds sold and securities purchased under agreements to resell	20.7	31.3	394.5	19.6	1.8	20.9	28.2
Total interest income	1,036.9	869.1	5,881.3	284.4	72.6	909.8	1,198.2
Interest expense							
Interest on deposits	208.2	427.7	3,211.2	145.9	40.2	443.1	566.8
Expense of federal funds purchased and securities sold under agreements to repurchase	156.3	68.6	589.5	22.5	0.9	68.8	58.9
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	78.5	8.3	109.0	1.7	0.3	18.6	34.2
Interest on mortgage indebtedness and obligations under capitalized leases	0.4	1.0	6.6	0.4	0.0	1.0	1.9
Interest on notes and debentures subordinated to deposits	18.0	0.2	31.6	2.0	0.1	1.5	9.[illegible]
Total interest expense	461.3	505.8	3,947.9	172.5	41.5	533.0	671.1
Net interest income	575.6	363.3	1,933.4	111.9	31.1	376.7	527.1
Provision for loan and lease losses	355.8	42.8	1,237.7	27.1	1.9	33.6	72.7
Provision for allocated transfer risk	0.0	0.0	—	0.0	0.0	0.0	0.0
Noninterest income							
Service charges on deposit accounts	6.7	43.2	215.8	15.4	2.7	31.1	69.9
Other noninterest income	288.7	149.2	385.2	33.2	4.4	97.3	140.1
Total noninterest income	295.4	192.4	601.0	48.6	7.1	128.3	210.0
Gains and losses on securities not held in trading accounts	1.4	4.5	126.5	0.9	0.5	7.0	4.7
Noninterest expense							
Salaries and employee benefits	50.2	186.8	826.8	42.5	14.6	170.9	282.2
Expenses of premises and fixed assets (net of rental income)	19.8	50.5	305.8	13.8	4.5	50.5	91.8
Other noninterest expense	288.0	148.7	722.1	57.3	8.3	130.4	188.7
Total noninterest expense	358.1	386.0	1,854.7	113.6	27.4	351.9	562.7
Income (loss) before income taxes and extraordinary items and other adjustments	158.6	131.4	-431.4	20.5	9.3	126.6	106.4
Applicable income taxes	71.0	26.7	-32.3	-0.6	1.9	20.1	23.7
Income before extraordinary items and other adjustments	87.6	104.7	-399.1	21.1	7.5	106.4	82.7
Extraordinary items and adjustments, net of taxes	0.0	3.1	1.6	0.0	0.0	0.1	0.0
Net income	87.6	107.8	-397.5	21.1	7.5	106.5	82.7
Total cash dividends declared	1.9	42.9	196.1	10.9	2.5	35.2	23.7
Recoveries credited to allowance for possible loan losses	52.7	9.4	73.5	2.2	0.4	5.1	28.0
Losses charged to allowance for possible loan losses	332.3	42.6	693.4	27.1	1.6	29.2	88.8
Net loan losses	279.6	33.2	619.9	24.9	1.2	24.1	60.8

Ratio to total operating income:							
Interest on deposits	15.6	40.3	49.5	43.8	50.5	42.7	40.3
Other interest expense	19.0	7.4	11.4	8.0	1.6	8.7	7.4
Salaries and employee benefits	3.8	17.6	12.8	12.8	18.4	16.5	20.0
Other noninterest expense	23.1	18.8	15.9	21.4	16.0	17.4	19.9
Total operating expenses	61.5	84.0	89.5	85.9	86.5	85.2	87.6
Ratio of net income to total equity capital (end of period)—percent	7.8	7.5	-4.7	5.2	7.0	8.4	5.3

See notes at end of table.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, June 30, 1986 — continued

(Dollar amounts in millions)

	West Virginia	Wisconsin	Wyoming	Puerto Rico	D.C. — nonnational*
Number of banks	96	117	55	1	1
Interest income:					
Interest and fee income on loans	$232.2	$496.2	$ 79.7	$ 0.7	$ 2.4
Income from lease financing receivables	0.1	6.0	0.1	0.0	0.0
Interest income on balances due from depository institutions	5.5	10.3	1.9	0.1	0.1
Interest and dividend income on securities	120.7	124.6	36.3	0.1	1.5
Interest income from assets held in trading accounts	0.1	4.7	0.0	0.0	0.0
Interest income from federal funds sold and securities purchased under agreements to resell	23.1	28.0	9.0	—	0.2
Total interest income	381.8	669.7	127.0	0.9	4.2
Interest expense:					
Interest on deposits	202.0	343.2	69.5	0.4	1.9
Expense of federal funds purchased and securities sold under agreements to repurchase	16.3	50.6	1.8	0.0	0.1
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	0.9	5.6	0.2	—	0.0
Interest on mortgage indebtedness and obligations under capitalized leases	0.3	0.6	0.2	0.0	0.0
Interest on notes and debentures subordinated to deposits	0.1	0.6	0.2	0.0	0.0
Total interest expense	219.6	400.6	71.9	0.4	2.0
Net interest income	162.1	269.2	55.1	0.6	2.3
Provision for loan and lease losses	11.0	33.3	24.6	—	0.2
Provision for allocated transfer risk	0.0	0.0	0.0	0.0	0.0
Noninterest income:					
Service charges on deposit accounts	7.1	22.2	5.5	—	0.2
Other noninterest income	17.5	74.1	6.1	—	0.2
Total noninterest income	24.6	96.3	11.6	0.1	0.3
Gains and losses on securities not held in trading accounts	3.4	4.9	2.3	—	0.0
Noninterest expense:					
Salaries and employee benefits	59.4	128.0	22.6	0.2	0.9
Expenses of premises and fixed assets (net of rental income)	18.0	32.7	6.5	0.1	0.2
Other noninterest expense	43.8	94.3	22.2	0.2	0.6
Total noninterest expense	121.2	255.0	51.3	0.6	1.6
Income (loss) before income taxes and extraordinary items and other adjustments	58.0	82.0	-6.8	—	0.9
Applicable income taxes	6.9	14.3	-0.5	0.0	0.3
Income before extraordinary items and other adjustments	51.1	67.8	-6.3	—	0.6
Extraordinary items and adjustments, net of taxes	0.3	0.4	—	0.0	0.0
Net income	51.4	68.1	-6.3	—	0.6
Total cash dividends declared	24.2	27.2	2.9	0.0	0.1
Recoveries credited to allowance for possible loan losses	2.7	6.1	3.3	0.0	0.1
Losses charged to allowance for possible loan losses	12.5	31.2	17.8	0.0	0.5
Net loan losses	9.8	25.1	14.5	0.0	0.4

Ratio to total operating income:					
Interest on deposits	49.7	44.8	50.2	37.7	41.4
Other interest expense	4.3	7.5	1.7	1.2	1.3
Salaries and employee benefits	14.6	16.7	16.3	23.3	18.8
Other noninterest expense	15.2	16.6	20.7	36.3	16.0
Total operating expenses	83.9	85.6	88.8	98.6	77.5
Ratio of net income to total equity capital (end of period)—percent	6.9	6.5	-2.9	0.8	10.6

* Nonnational banks in the District of Columbia are supervised by the Comptroller of the Currency. Nonnational bank data are not included in U.S. aggregates.

NOTES: Foreign offices are defined to include Edge Act and Agreement subsidiaries in the U.S., branches located in Puerto Rico, the Virgin Islands and U.S. Trust Territories and branches and subsidiaries located in foreign countries. Dashes indicate amounts of less than $500,000. Data are from the consolidated reports of condition filed quarterly by all national banks.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, June 30, 1986
(Dollar amounts in millions)

	4,913 banks*	
	Consolidated foreign and domestic	*Percent distribution*
Interest income		
Interest and fee income on loans	$ 54,610	75.2
Income from lease financing receivables	892	1.2
Interest income on balances due from depository institutions	3,518	4.8
Interest and dividend income on securities	9,899	13.6
Interest income from assets held in trading accounts	944	1.3
Interest income from federal funds sold and securities purchased under agreements to resell	2,760	3.8
Total interest income	72,624	99.9
Interest expense		
Interest on deposits	35,912	80.0
Expense of federal funds purchased and securities sold under agreements to repurchase	5,633	12.6
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	2,849	6.3
Interest on mortgage indebtedness and obligations under capitalized leases	105	0.2
Interest on notes and debentures subordinated to deposits	385	0.9
Total interest expense	44,883	100.0
Net interest income	27,740	
Provision for loan and lease losses	7,012	
Provision for allocated transfer risk	24	
Noninterest income		
Service charges on deposit accounts	2,276	21.0
Other noninterest income	8,547	79.0
Total noninterest income	10,824	100.0
Gains and losses on securities not held in trading accounts	1,033	
Noninterest expense		
Salaries and employee benefits	12,609	47.6
Expenses of premises and fixed assets (net of rental income)	4,279	16.2
Other noninterest expense	9,590	36.2
Total noninterest expense	26,478	100.0
Income (loss) before income taxes and extraordinary items and other adjustments	6,084	
Applicable income taxes	1,685	
Income before extraordinary items and other adjustments	4,399	
Extraordinary items and adjustments, net of taxes	78	
Net income	4,477	
Total cash dividends declared	2,196	
Recoveries credited to allowance for possible loan losses	956	
Losses charged to allowance for possible loan losses	5,547	
Net loan losses	4,591	
Ratio to total operating income:		
Interest on deposits	43.0	
Other interest expense	10.8	
Salaries and employee benefits	15.1	
Other noninterest expense	16.6	
Total operating expenses	85.5	
Ratio of net income (annualized) to:		
Total assets (end of period)	0.54	
Total equity capital	9.04	

*Reporting national banks

Domestic office deposits of national banks, by states, June 30, 1986
(Dollar amounts in millions)

	Total demand deposits at domestic offices	NOW and automatic transfer accounts	Non-transaction savings accounts	Time certificates of deposit of $100,000 or more	Other large time deposits	All other time deposits at domestic offices	Total deposits at foreign offices	Total consolidated deposits	Brokered deposits
All national banks	$268,614	$79,469	$285,133	$157,484	$19,611	$241,279	$204,709	$1,256,299	$17,872
Alabama	2,169	800	1,801	1,640	163	2,749	290	9,611	438
Alaska	656	105	543	359	1	185	1	1,851	0
Arizona	3,395	900	4,393	1,819	4	3,626	25	14,163	0
Arkansas	1,577	974	1,825	1,099	52	2,563	4	8,094	7
California	33,955	9,968	40,271	21,156	1,657	21,059	39,929	167,995	3,443
Colorado	3,942	1,478	4,023	2,160	203	2,354	170	14,330	34
Connecticut	4,627	1,011	3,276	687	408	2,687	534	13,230	205
Delaware	229	49	1,729	1,755	0	700	55	4,518	95
District of Columbia	2,751	815	3,836	1,693	26	949	2,055	12,126	272
Florida	13,270	5,581	18,131	6,349	406	12,223	615	56,575	286
Georgia	6,570	1,262	5,080	2,031	132	4,309	706	20,089	257
Hawaii	44	25	52	33	0	25	0	179	0
Idaho	734	448	1,278	406	4	1,653	0	4,522	37
Illinois	14,730	3,455	13,100	9,059	1,897	14,291	22,031	78,563	717
Indiana	4,529	1,977	4,652	2,100	51	7,054	224	20,589	33
Iowa	1,611	803	1,510	469	2	3,142	0	7,537	54
Kansas	1,644	929	2,063	1,252	30	2,926	0	8,844	48
Kentucky	2,427	1,045	1,933	1,157	32	3,423	110	10,126	213
Louisiana	3,495	943	4,410	3,615	18	2,978	26	15,484	212
Maine	468	204	726	116	6	512	0	2,032	9
Maryland	4,332	683	4,329	852	7	3,022	804	14,030	228
Massachusetts	8,376	1,663	8,679	4,010	763	2,754	6,144	32,388	787
Michigan	7,273	1,861	9,054	2,865	141	8,557	1,772	31,523	126
Minnesota	5,883	1,947	4,217	5,388	656	6,118	2,032	26,243	1,885
Mississippi	1,475	606	1,447	1,122	6	2,348	21	7,025	0
Missouri	6,095	1,744	4,132	3,055	269	4,936	598	20,828	241
Montana	501	348	792	248	1	1,192	0	3,082	1
Nebraska	1,646	952	1,394	442	4	3,259	0	7,697	3
Nevada	898	338	856	854	0	601	0	3,546	100
New Hampshire	628	388	897	296	2	642	0	2,852	33
New Jersey	11,480	2,475	12,720	2,870	137	8,436	502	38,620	159
New Mexico	892	588	1,240	931	34	1,155	0	4,840	0
New York	35,056	4,922	34,699	10,918	6,626	16,902	104,130	213,252	746
North Carolina	6,494	1,956	7,079	3,296	241	6,173	1,668	26,907	434
North Dakota	389	376	470	204	0	1,211	0	2,651	4
Ohio	10,404	4,198	13,822	4,942	310	15,203	727	49,605	178
Oklahoma	2,808	1,362	2,718	3,768	41	4,044	91	14,831	122
Oregon	2,077	1,154	3,350	705	0	2,515	21	9,822	187
Pennsylvania	14,808	3,821	18,242	8,171	494	15,621	6,937	68,095	2,143
Rhode Island	1,072	324	1,724	1,144	431	1,534	847	7,076	526
South Carolina	2,390	964	2,219	520	4	1,914	0	8,012	0
South Dakota	463	479	797	1,543	2	2,133	0	5,417	919
Tennessee	3,836	1,736	3,075	2,090	20	5,196	160	16,112	9
Texas	22,343	6,525	15,427	31,452	3,855	16,695	9,820	106,117	2,001
Utah	1,140	432	1,150	922	4	1,335	61	5,044	9
Vermont	258	129	466	61	7	455	0	1,376	0
Virginia	3,439	1,445	3,679	1,759	218	5,279	25	15,845	304
Washington	5,011	1,588	5,922	2,178	38	5,324	1,273	21,334	279
West Virginia	1,119	545	1,908	501	7	2,886	0	6,966	11
Wisconsin	2,780	828	3,403	1,131	28	3,791	299	12,260	67
Wyoming	422	323	594	275	174	637	0	2,425	0
Puerto Rico	3	1	0	13	0	4	0	22	10

Domestic office loans of national banks by states, June 30, 1986
(Dollar amounts in thousands)

	Total loans, gross	Loans secured by real estate	Loans to financial institutions	Loans to farmers	Commercial and industrial loans	Personal loans to individuals	Other loans	Total loans less unearned income	Total loans at foreign offices
All national banks	$1,033,442	$268,303	$19,851	$15,566	$277,808	$191,748	$101,798	$1,023,714	$158,368
Alabama	7,476	2,073	132	49	2,416	1,766	1,011	7,316	30
Alaska	1,565	554	0	2	592	177	236	1,565	5
Arizona	11,368	3,631	280	471	3,200	2,913	836	11,346	37
Arkansas	5,435	1,994	88	188	1,681	1,143	332	5,343	8
California	145,460	43,881	1,472	2,420	28,842	22,766	10,265	145,322	35,814
Colorado	10,118	3,404	68	487	3,256	2,063	837	10,096	3
Connecticut	10,167	3,453	97	18	3,496	2,334	608	10,020	162
Delaware	10,926	499	0	1	368	9,819	239	10,926	0
District of Columbia	9,112	2,984	417	1	2,579	828	1,430	9,064	875
Florida	41,617	16,685	416	123	9,405	11,338	3,359	40,714	292
Georgia	17,037	4,534	97	78	5,108	4,268	2,710	16,906	241
Hawaii	119	62	0	0	41	15	1	119	0
Idaho	3,545	890	1	399	988	992	274	3,527	0
Illinois	62,773	11,175	717	943	21,616	8,123	6,765	62,371	13,435
Indiana	14,857	4,426	437	317	3,877	3,614	2,042	14,709	144
Iowa	4,366	1,265	61	533	1,026	1,001	470	4,347	10
Kansas	5,280	1,350	36	743	1,710	1,052	390	5,257	0
Kentucky	7,683	2,189	61	151	2,340	1,692	1,193	7,578	56
Louisiana	10,613	3,283	59	75	3,495	2,339	1,289	10,491	76
Maine	1,603	641	0	11	530	316	105	1,602	0
Maryland	11,318	3,042	163	38	2,867	3,174	1,355	11,282	678
Massachusetts	31,579	7,593	536	24	11,927	3,394	3,136	31,365	4,969
Michigan	22,977	6,369	348	142	8,416	4,186	2,717	22,919	800
Minnesota	22,095	4,440	215	624	8,602	3,097	4,068	21,981	1,048
Mississippi	4,726	1,651	180	87	1,133	1,307	368	4,574	0
Missouri	15,018	4,521	425	280	4,422	3,083	1,980	14,935	307
Montana	2,280	553	27	364	732	493	111	2,260	0
Nebraska	4,784	958	143	1,038	1,089	1,077	480	4,779	0
Nevada	4,269	881	69	14	627	2,517	161	4,269	0
New Hampshire	2,297	853	2	1	689	619	134	2,276	0
New Jersey	29,079	10,625	935	13	9,043	5,665	2,615	28,649	183
New Mexico	3,288	1,145	20	131	1,058	823	110	3,244	0
New York	181,585	26,024	5,894	317	29,019	17,428	13,819	178,418	89,084
North Carolina	23,758	6,777	518	220	7,667	4,730	3,243	23,718	603
North Dakota	1,718	440	13	296	538	333	97	1,715	0
Ohio	39,510	10,159	403	340	11,493	12,014	4,721	39,025	381
Oklahoma	9,258	3,410	115	523	2,795	1,476	939	9,187	0
Oregon	8,241	2,301	18	260	3,135	1,618	827	8,185	82
Pennsylvania	57,649	11,153	3,155	212	20,430	8,353	10,456	57,079	3,890
Rhode Island	5,993	2,075	175	2	1,903	999	604	5,973	234
South Carolina	6,180	1,700	93	58	1,745	1,920	664	6,022	0
South Dakota	11,203	464	48	459	684	9,369	179	11,180	0
Tennessee	11,941	3,501	280	105	3,678	2,652	1,717	11,806	8
Texas	87,526	31,075	1,278	1,623	32,973	9,876	7,389	86,778	3,312
Utah	4,192	1,558	24	78	1,176	987	368	4,180	0
Vermont	1,078	516	1	11	317	195	38	1,077	0
Virginia	13,906	4,708	36	130	3,244	4,325	1,455	13,541	8
Washington	19,897	5,705	159	776	5,632	4,163	2,142	19,860	1,319
West Virginia	4,174	1,690	7	11	756	1,464	246	4,065	0
Wisconsin	9,430	3,035	123	225	2,959	1,585	1,230	9,390	273
Wyoming	1,353	404	4	155	487	264	39	1,347	0
Puerto Rico	16	2	0	0	10	4	0	16	0

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
Note: Figures may not add to totals due to rounding.

Outstanding balances, credit cards and related plans of national banks, June 30, 1986
(Dollar amounts in thousands)

	Total number of national banks	*Credit cards and other related credit plans*	
		Number of national banks	*Outstanding volume*
All national banks	4,918	2,404	$64,298,968
Alabama	52	13	229,667
Alaska	6	4	73,631
Arizona	15	12	687,891
Arkansas	81	11	117,336
California	168	151	11,351,821
Colorado	244	209	738,834
Connecticut	17	10	392,155
Delaware	15	14	8,323,837
District of Columbia	18	16	122,303
Florida	169	72	2,016,215
Georgia	55	33	1,435,263
Hawaii	3	2	2,212
Idaho	7	7	157,121
Illinois	399	184	3,438,092
Indiana	108	77	777,213
Iowa	106	55	301,580
Kansas	168	44	209,253
Kentucky	77	34	155,837
Louisiana	71	23	495,496
Maine	7	6	59,972
Maryland	24	14	1,668,474
Massachusetts	52	41	906,197
Michigan	119	92	1,143,723
Minnesota	214	150	392,668
Mississippi	33	7	67,144
Missouri	113	57	876,815
Montana	58	34	48,663
Nebraska	119	41	391,069
Nevada	6	4	2,098,496
New Hampshire	22	18	162,092
New Jersey	70	49	825,314
New Mexico	43	12	196,966
New York	105	58	4,640,464
North Carolina	17	15	1,323,612
North Dakota	43	25	25,996
Ohio	141	99	2,711,546
Oklahoma	227	68	193,085
Oregon	8	5	483,759
Pennsylvania	181	63	763,576
Rhode Island	5	3	406,481
South Carolina	21	16	351,912
South Dakota	25	12	8,853,907
Tennessee	59	21	522,055
Texas	1,068	318	794,169
Utah	7	4	168,734
Vermont	12	3	28,807
Virginia	47	20	1,032,613
Washington	23	10	1,581,848
West Virginia	96	23	71,331
Wisconsin	117	99	463,606
Wyoming	55	44	13,654
Puerto Rico	1	1	2,173
District of Columbia—All*	19	17	122,593

*Includes the nonnational bank in the District of Columbia which is supervised by the Comptroller of the Currency.

National banks engaged in lease financing, June 30, 1986

(Dollar amounts in thousands)

	Total number of national banks	*Number of banks engaged in lease financing*	*Amounts of lease financing at domestic offices*
All national banks	4,918	1,142	$14,625,847
Alabama	52	7	52,920
Alaska	6	2	6,305
Arizona	15	3	175,541
Arkansas	81	26	19,216
California	168	55	3,456,409
Colorado	244	87	139,709
Connecticut	17	3	2,022
Delaware	15	1	16,043
District of Columbia	18	7	58,783
Florida	169	29	221,987
Georgia	55	19	314,247
Hawaii	3	1	792
Idaho	7	3	84,347
Illinois	399	91	107,584
Indiana	108	36	322,218
Iowa	106	24	14,161
Kansas	168	36	42,741
Kentucky	77	21	153,034
Louisiana	71	11	72,660
Maine	7	2	9,540
Maryland	24	6	249,955
Massachusetts	52	17	1,109,679
Michigan	119	22	236,902
Minnesota	214	77	201,440
Mississippi	33	5	13,017
Missouri	113	33	197,007
Montana	58	13	1,802
Nebraska	119	38	65,045
Nevada	6	2	17,475
New Hampshire	22	3	8,776
New Jersey	70	20	242,766
New Mexico	43	19	18,249
New York	105	27	2,178,535
North Carolina	17	6	697,777
North Dakota	43	17	10,078
Ohio	141	64	968,103
Oklahoma	227	58	17,384
Oregon	8	2	318,716
Pennsylvania	181	23	1,048,537
Rhode Island	5	2	411,764
South Carolina	21	5	56,558
South Dakota	25	9	1,681
Tennessee	59	27	88,620
Texas	1,068	110	402,184
Utah	7	3	117,588
Vermont	12	0	0
Virginia	47	10	194,444
Washington	23	8	373,577
West Virginia	96	10	4,657
Wisconsin	117	31	95,680
Wyoming	55	11	1,592
Puerto Rico	1	0	0
District of Columbia—all*	19	7	58,783

*Includes the nonnational bank in the District of Columbia which is supervised by the Comptroller of the Currency.

Total loans and leases past due at national banks, by states, June 30, 1986

(Dollar amounts in millions)

	Number of banks*	Type of loan					
		Real estate	*Commercial and industrial*	*Personal*	*All other*	*Total domestic loans*	*Foreign*
Reporting national banks	4,914	$12,158.2	$13,607.6	$6,008.77	$5,619.95	$40,358.2	$8,146.97
Alabama	52	38.3	46.1	50.65	18.47	168.1	0.00
Alaska	6	45.9	60.5	5.05	16.40	134.4	0.50
Arizona	15	193.7	129.3	79.37	53.05	457.1	6.25
Arkansas	81	113.3	62.8	33.61	49.60	312.1	0.00
California	169	2,732.4	3,081.4	732.12	1,106.42	7,721.3	1,887.98
Colorado	244	164.2	135.6	63.21	203.31	732.0	0.00
Connecticut	17	139.5	111.1	53.08	15.53	321.1	18.73
Delaware	15	32.0	9.9	412.69	1.99	460.3	0.00
District of Columbia	19	132.9	79.1	11.23	27.12	253.6	22.81
Florida	169	727.3	311.8	220.26	92.19	1,400.5	16.90
Georgia	55	123.3	102.9	108.57	58.53	405.7	30.63
Hawaii	3	1.4	—	0.41	1.33	4.5	0.00
Idaho	7	38.1	58.4	23.64	35.78	159.7	0.00
Illinois	399	540.6	851.1	216.80	272.97	2,145.2	498.89
Indiana	108	131.9	75.8	86.23	74.64	426.0	8.81
Iowa	106	33.5	22.9	28.19	60.97	268.0	1.50
Kansas	168	32.5	35.2	29.62	67.46	244.7	0.00
Kentucky	77	77.5	54.2	30.66	46.39	243.1	4.95
Louisiana	71	249.8	233.5	117.98	50.63	726.4	0.00
Maine	7	18.0	15.9	8.52	4.08	47.6	0.00
Maryland	24	81.8	88.7	142.64	13.34	330.8	13.59
Massachusetts	52	213.5	430.9	105.30	83.47	844.8	246.10
Michigan	119	193.5	187.8	82.93	66.25	593.2	6.51
Minnesota	212	246.4	397.4	76.72	260.11	1,171.0	98.20
Mississippi	33	64.1	36.1	38.93	18.55	173.9	0.00
Missouri	113	113.8	207.3	76.73	88.45	557.6	47.19
Montana	56	28.1	20.5	21.79	69.21	216.0	0.00
Nebraska	119	38.7	19.8	31.91	106.16	271.9	0.00
Nevada	6	44.1	56.3	106.27	4.59	211.8	0.00
New Hampshire	22	23.0	9.6	13.78	7.60	59.3	0.00
New Jersey	70	338.1	333.3	138.31	82.50	918.3	6.66
New Mexico	43	54.4	25.8	23.43	40.35	200.1	0.00
New York	105	911.2	1,466.1	787.03	263.59	3,446.2	4,750.06
North Carolina	17	95.9	155.5	86.22	27.30	365.8	19.79
North Dakota	43	12.0	—	10.99	46.21	132.1	0.00
Ohio	141	363.0	392.2	312.86	133.44	1,264.8	28.27
Oklahoma	227	230.8	119.1	47.99	182.67	860.8	0.00
Oregon	8	157.8	143.6	37.61	42.00	383.4	1.68
Pennsylvania	181	354.8	787.6	212.90	370.16	1,762.0	147.46
Rhode Island	5	51.4	78.9	34.32	15.97	180.6	9.83
South Carolina	21	55.6	38.2	33.54	17.14	149.5	0.00
South Dakota	25	14.1	31.7	625.33	78.39	772.7	0.00
Tennessee	59	126.6	151.1	72.24	33.06	402.7	0.48
Texas	1,067	1,825.0	2,199.4	264.36	894.03	5,816.7	173.80
Utah	7	171.3	60.5	31.61	15.06	280.3	0.00
Vermont	12	10.9	17.4	6.80	4.04	40.4	0.00
Virginia	47	205.4	74.8	84.30	104.24	477.4	0.00
Washington	23	355.8	484.5	113.16	104.14	1,065.8	97.47
West Virginia	96	74.3	13.2	52.94	32.05	203.0	0.00
Wisconsin	117	113.2	103.2	33.16	84.81	406.8	1.91
Wyoming	55	23.4	—	10.49	72.95	165.5	0.00
Puerto Rico	1	0.0	—	0.06	1.18	1.2	0.00

*Reporting national banks.

NOTE: Sum of Real estate, Commercial and industrial, Personal and All other past due loans and leases is less than the Total domestic because nonaccrual loans are not reported by loan type by banks filing the abbreviated Report of Condition, and as a result are counted in the total figure only. Dashes indicate amounts less than $500,000.

Average national banks' percent of loans past due at domestic offices, by assets

	Assets in millions of dollars									
	Less than $10	*$10 to $20*	*$20 to $25*	*$25 to $40*	*$40 to $100*	*$100 to $300*	*$300 to $900*	*$900 to $5,000*	*$5,000 or more*	*All national banks*
Real estate										
March 1985	2.3	3.8	4.0	4.0	3.7	3.1	4.0	4.2	5.0	3.6
June 1985	2.2	3.9	3.6	3.5	3.5	3.1	3.9	3.8	4.9	3.4
September 1985	2.1	3.6	3.7	3.6	3.4	3.1	4.0	4.1	5.0	3.4
December 1985	2.2	4.3	3.7	3.9	3.5	3.3	4.2	4.2	5.1	3.6
March 1986	2.8	4.5	3.9	4.0	3.8	3.5	4.9	4.8	6.0	3.9
June 1986	2.5	3.7	3.7	3.5	3.4	3.0	4.5	4.5	4.5	3.5
Commercial and industrial										
March 1985	NA	NA	NA	NA	NA	NA	5.1	5.0	5.4	4.9
June 1985	NA	NA	NA	NA	NA	NA	5.0	4.5	5.2	4.7
September 1985	NA	NA	NA	NA	NA	NA	5.0	4.7	4.8	4.7
December 1985	NA	NA	NA	NA	NA	NA	4.8	4.5	4.7	4.6
March 1986	NA	NA	NA	NA	NA	NA	5.7	5.1	4.8	5.3
June 1986	NA	NA	NA	NA	NA	NA	5.6	4.8	4.7	5.1
Personal										
March 1985	2.5	3.5	3.7	3.4	3.2	2.5	2.3	2.5	2.6	3.1
June 1985	2.6	3.4	3.3	3.3	2.9	2.3	2.3	2.4	2.4	2.9
September 1985	2.4	3.5	3.2	3.0	3.1	2.6	2.4	2.7	3.1	3.0
December 1985	2.9	4.0	3.4	3.3	3.3	2.9	2.5	3.0	3.2	3.3
March 1986	2.7	3.9	3.9	3.4	3.3	2.8	2.7	3.0	3.0	3.3
June 1986	2.5	3.5	3.7	3.0	3.1	2.6	2.7	2.7	2.7	3.0
All other										
March 1985	3.2	4.3	4.4	5.0	4.8	3.9	2.0	2.4	3.7	4.3
June 1985	2.8	4.3	4.0	4.2	4.2	3.5	2.1	2.0	3.3	3.8
September 1985	3.3	4.7	4.5	4.1	4.2	3.6	2.0	2.4	3.3	4.0
December 1985	3.6	5.1	4.7	4.6	4.5	3.7	1.6	2.2	2.8	4.2
March 1986	3.9	5.7	5.2	5.4	5.2	4.3	2.4	2.6	3.1	4.8
June 1986	3.2	4.7	4.4	4.8	4.6	3.7	2.0	2.6	2.8	4.2
Total loans										
March 1985	3.3	5.2	5.9	5.8	5.4	4.7	3.9	3.9	4.4	5.1
June 1985	3.4	5.2	5.1	5.3	5.1	4.5	3.9	3.6	4.2	4.8
September 1985	3.5	5.2	5.8	5.4	5.3	4.8	4.0	3.8	4.3	5.0
December 1985	4.2	5.9	5.7	5.7	5.4	4.8	4.0	3.9	4.2	5.3
March 1986	4.8	6.7	6.6	6.4	6.1	5.4	4.6	4.4	4.5	5.9
June 1986	4.2	6.1	6.1	5.9	5.6	5.0	4.4	4.0	4.0	5.4

See notes at end of tables.

Average national banks' percent of loans past due at foreign offices, by assets

	Assets in millions of dollars			
	$300 to $900	*$900 to $5,000*	*$5,000 or more*	*All national banks*
All foreign office loans				
March 1985	9.1	7.4	8.2	7.9
June 1985	9.8	7.7	7.4	8.0
December 1985	11.4	9.0	6.0	8.3
March 1986	8.1	8.7	5.5	7.4
June 1986	9.2	7.0	6.4	7.1

NOTES:

These figures include non-accrual and past due loan and lease financing receivables.

Past due loans—These items are (1) single payment notes 30 days or more past maturity; (2) single payment notes with interest due at specified intervals and demand notes on which interest is due and unpaid for 30 days or more; (3) amortizing real estate loans and closed-end monthly installment loans and lease financing receivables in arrears two or more monthly payments, or, if scheduled other than monthly, when one scheduled payment is due and unpaid for 30 days or more; (4) open-end credit accounts on which the customer has not made the minimum monthly payment for two or more billing cycles; and (5) unplanned overdrafts outstanding 30 days or more after origination.

Non-accrual loans—These items are (1) those maintained on a cash basis because of deterioration in the financial position of the borrower; and (2) those on which principal or interest has been in default for a period of 90 days or more unless the obligation is both well secured and in the process of collection, in which case it is considered merely past due.

Average banks' percent of loans past due—Percentages reported are averages of individual banks' percentages of loans past due with each bank accorded the same weight regardless of size; those individual bank percentages are based on dollar value of loans past due. All figures are as of the last day of the month indicated.

Loan categories—The loan categories for this table correspond to those for the report of condition except for "Other loans." "Other loans" includes loans to financial institutions, loans for purchasing or carrying securities, loans to farmers and all other loans not included in the specified categories.

Data for prior periods, based on slightly different definitions, may be found in the *Quarterly Journal*, Volume 2, Number 1, pp. 229-232.

Beginning March 1984, past due commercial and industrial loans of banks with less than $300 million in assets have been combined with all other loans.

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